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FAPRI

U.S. Baseline Briefing Book



February 2007

Food and Agricultural
Policy Research Institute

 **FAPRI**
College of Agriculture, Food and Natural Resources

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Foreword

The Food and Agricultural Policy Research Institute is a joint institute of the University of Missouri-Columbia and Iowa State University. FAPRI provides analysis of agricultural markets and policies for Congress and other decision makers. This report was prepared by FAPRI and presents a summary of ten year baseline projections for U.S. agricultural markets.

Process and Assumptions

The process that led to this baseline began in November 2006. FAPRI analysts prepared a preliminary set of projections that were reviewed at a workshop in Washington, DC in December 2006. Reviewer comments and other new information were incorporated into this revised baseline prepared in January and February 2007.

The baseline is not a forecast of what will happen, but rather a projection of what could happen if current policies remain in place. For purposes of this baseline, we assume that when the Farm Security and Rural Investment Act (commonly referred to as the 2002 farm bill) expires in 2007, all of its provisions will be extended indefinitely. Likewise, we assume that expiring biofuel tax and tariff provisions will be extended. We also evaluate a scenario that assumes the taxes and tariffs expire as scheduled in current law.

Assumptions about the non-agricultural economy rely on January 2007 forecasts from Global Insight, Inc.

Things to Look for This Year

Growth in biofuel production has wide-ranging implications. Expect to see:

- projected prices for grains and oilseeds that are higher than in previous FAPRI baselines;
- planted acreage increasing for corn at the expense of other crops;
- higher feed costs reducing the rate of growth in meat and milk production;
- taxpayer costs of the marketing loan and countercyclical payment programs reduced with government spending on the crop insurance program increased.

Future developments in agricultural markets appear even more uncertain than in past years. For example, the outlook for biofuel and agricultural markets may look very different if petroleum prices increase or decrease from the levels projected by Global Insight. FAPRI recognizes this uncertainty and considers 500 alternative outcomes for the future built on different assumptions about the price of petroleum, the weather, and other factors, that will affect the supply and demand for agricultural commodities. Following the precedent established last year, we are reporting the averages of the 500 alternative outcomes wherever possible.

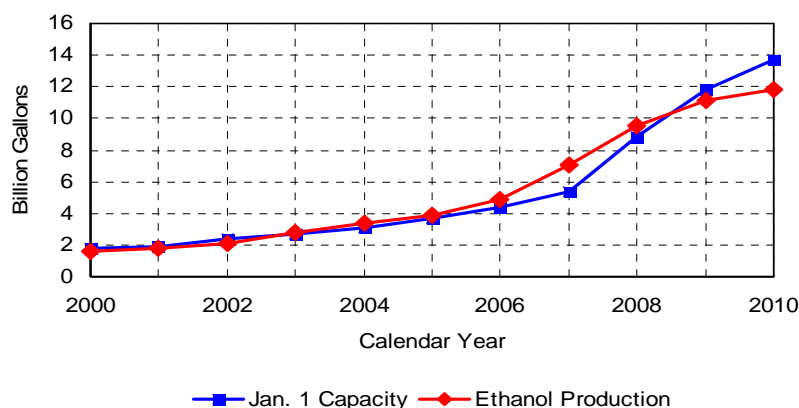
Acknowledgments

The FAPRI U.S. Baseline Briefing Book for 2007 was prepared by the FAPRI unit in the College of Food, Agriculture and Natural Resources at the University of Missouri-Columbia, and with the help of numerous colleagues at other institutions. The FAPRI team at Iowa State took the lead in developing estimates related to international markets and the crop insurance program. Researchers at the University of Arkansas took primary responsibility for developing rice market projections and others at Arizona State University developed projections for fruit and vegetable markets. We worked with colleagues at Texas Tech University in developing cotton market projections. Finally, the team at the Agriculture and Food Policy Center at Texas A&M University translated these national results into estimates of effects for a number of representative farms around the country. We thank all of our colleagues and reviewers for their help in this collaborative project.

Summary

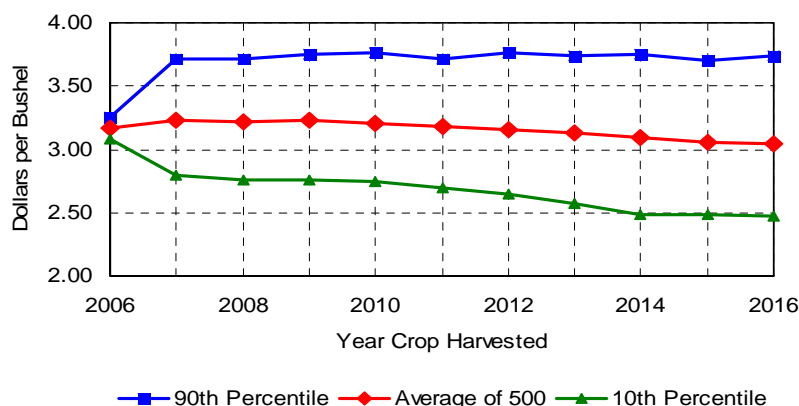
- Rapid growth in ethanol production has transformed agricultural markets.
- Plants currently under construction could double ethanol production capacity by 2009.
- Future growth in capacity and production will depend on the profitability of ethanol production.
- The baseline assumes the refiners' acquisition price of petroleum falls from \$60 per barrel in 2006 to \$50 in 2016.

Ethanol Production and Production Capacity



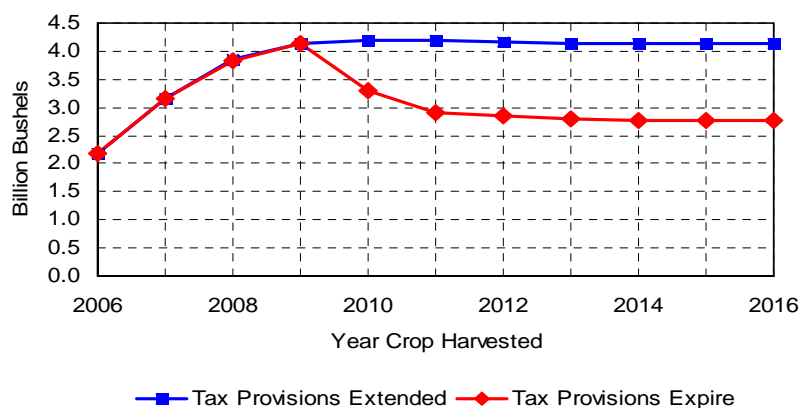
- Expansion of the ethanol industry has resulted in stronger demand and higher prices for corn.
- Average projected corn farm prices exceed \$3.00 per bushel in every year of the ten year baseline.
- Analysis of 500 alternative futures suggests that corn prices could be much higher or lower than the average, depending on the weather, the price of petroleum, and other factors.

Corn Prices: Summary of 500 Alternative Outcomes



- Current tax policies that support the biofuel industry are slated to expire in 2008 (ethanol tariff and biodiesel tax credit) or 2010 (ethanol tax credit).
- If the tax credits expire, the result could be sharply lower biofuel production, corn and soybean demand, and crop prices.
- Unless otherwise noted, the tables and figures reported here assume the tax provisions are extended indefinitely. See page 62 for more detail.

Corn Used for Ethanol Production



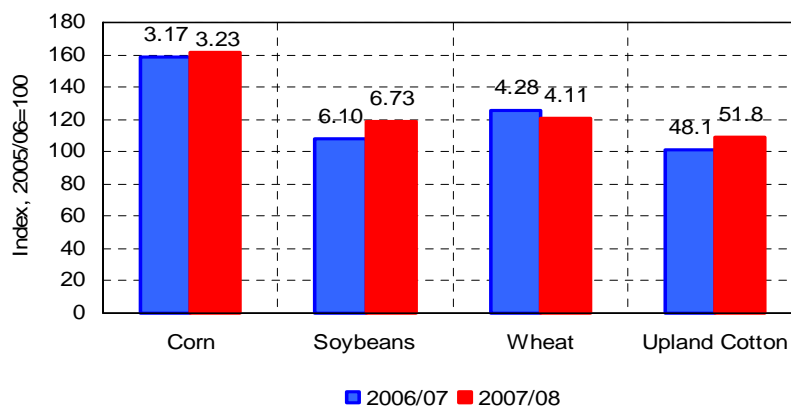
Summary

Crop Prices, 2006/07 and 2007/08

▪The season-average farm price for corn increases from \$2.00 per bushel in 2005/06 to \$3.17 this year and \$3.23 next year. Market prices in mid-February 2007 were even higher.

▪The proportional increases in 2006/07 soybean, wheat, and cotton prices are smaller than the increase in corn prices.

▪Projected soybean prices increase in 2007/08, while wheat prices fall. Higher grain prices are expected to result in large shifts in acreage this spring.

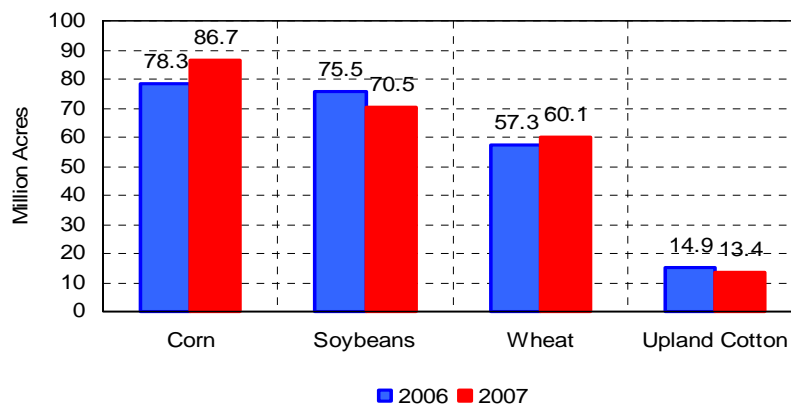


Area Planted, 2006 and 2007

▪Projected corn planted area increases by more than 8 million acres in 2007. If realized, 2007 corn acreage would be at the highest level since 1949.

▪Soybean area falls by 5 million acres. Upland cotton area declines by 1.5 million acres.

▪Wheat acreage increases in 2007, but is expected to decline in 2008

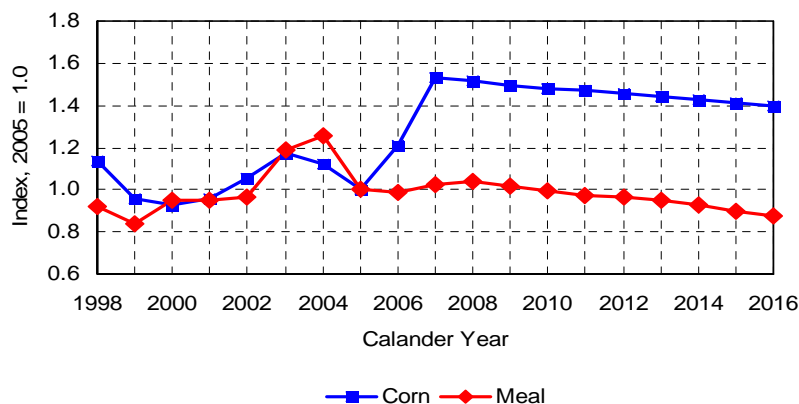


Feed Cost for 1 Pound of Beef, Pork and Chicken

▪Higher corn costs are increasing the cost of production for livestock producers.

▪Although feeding ethanol coproducts is an option for some producers most coproduct prices do not provide much savings relative to corn.

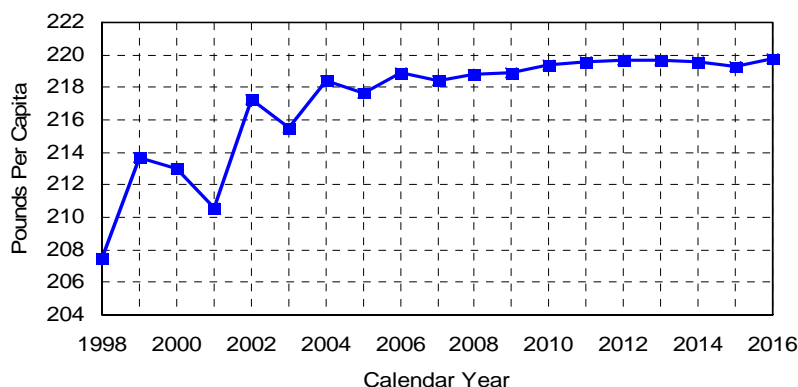
▪Increasing Distillers Dried Grains (DDG) supplies and strong demand for soybean oil keeps soybean meal prices constrained, favoring animal rations that use more meal.



Summary

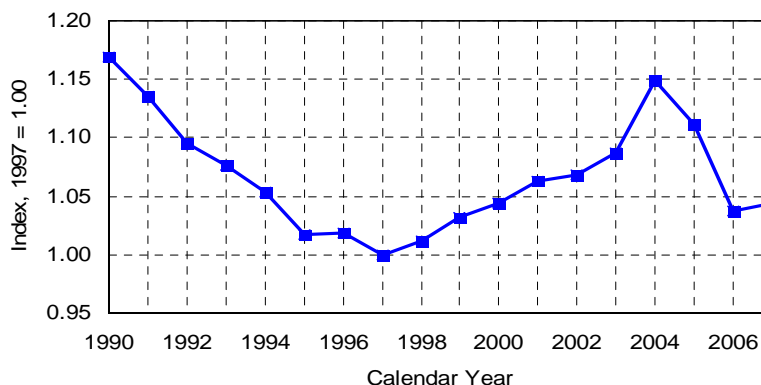
Retail Meat Consumption

- As livestock producers respond to notably higher corn costs in the coming decade, meat production growth will slow.
- Meat exports are expected to grow an additional 4 billion pounds by 2016 relative to 2006. These meat exports include beef, pork and chicken.
- The combination of slower meat production growth and higher exports will keep meat consumption relatively flat.



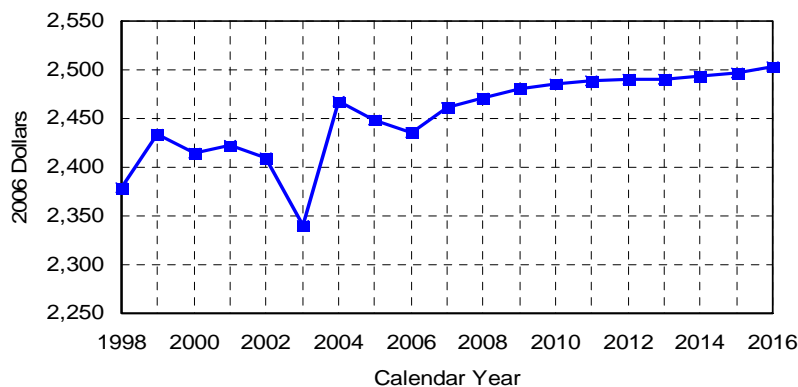
Real Meat Expenditures

- Real expenditures for meat are a good indicator of consumer demand strength.
- After reaching a low point in 1997, meat demand strength had been improving, including the 2004 explosion which led to record livestock prices in many sectors.
- 2006 was a poor year for U.S. retail meat demand. This baseline assumes steady demand in 2007. Large deviations in either direction would affect the 2007 production and price outlook.



Real Food Expenditures per Person

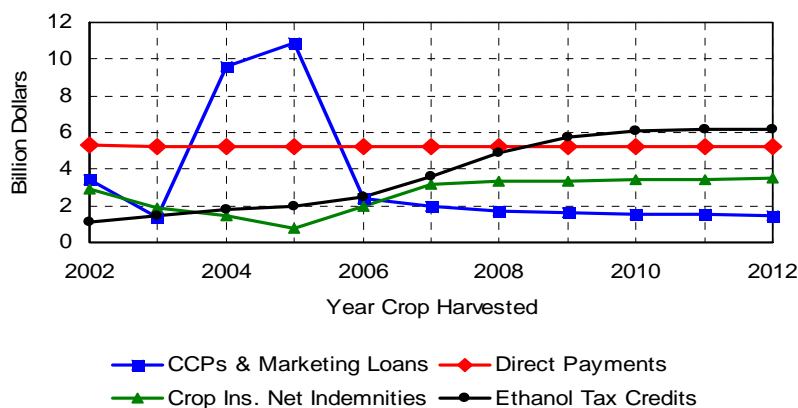
- The amount of money consumers spend on food will increase in the next decade, though when adjusted for inflation the increase will be marginal.
- After spiking in 2004 due largely to sharply higher retail meat prices, food expenditures have moderated recently.
- The portion of expenditures on food away from home increased from 42% in 1998 to 44% in 2005. This trend will continue, with food ingredient costs less important over time than convenience.



Summary

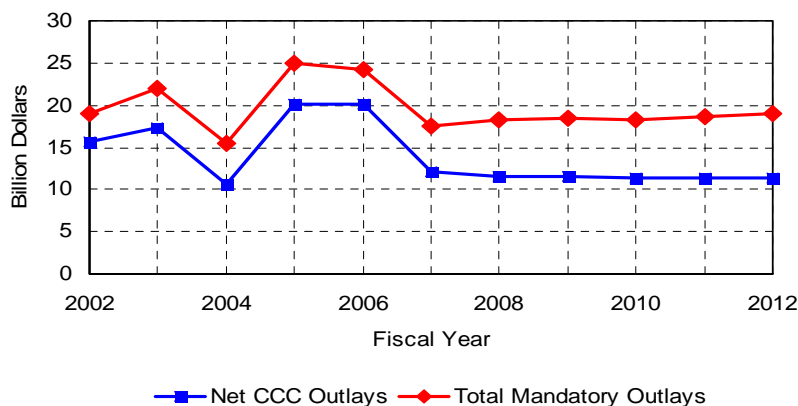
- Producers received over \$10 billion in countercyclical payments (CCPs) and marketing loan program benefits for the 2005/06 crop year.
- Rising crop prices mean those price-based subsidies decline sharply in 2006/07 and remain low in the baseline.
- In contrast, crop insurance net indemnities increase as prices increase.
- The value of ethanol tax credits exceeds the value of direct payments by 2009/10.

Farm Program Benefits and Ethanol Tax Credits



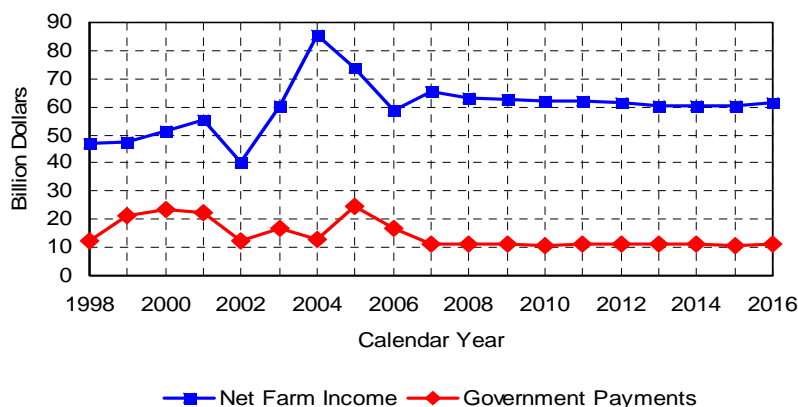
Mandatory Farm and Conservation Program Outlays

- Net outlays on farm programs by the Commodity Credit Corporation (CCC) decline from \$20 billion in fiscal year (FY) 2006 to \$12 billion in FY 2007.
- Adding in mandatory spending on crop insurance and conservation programs not included in CCC outlays, total mandatory spending falls from \$24 billion in FY 2006 to \$18 billion in FY 2007.



Net Farm Income and Government Payments

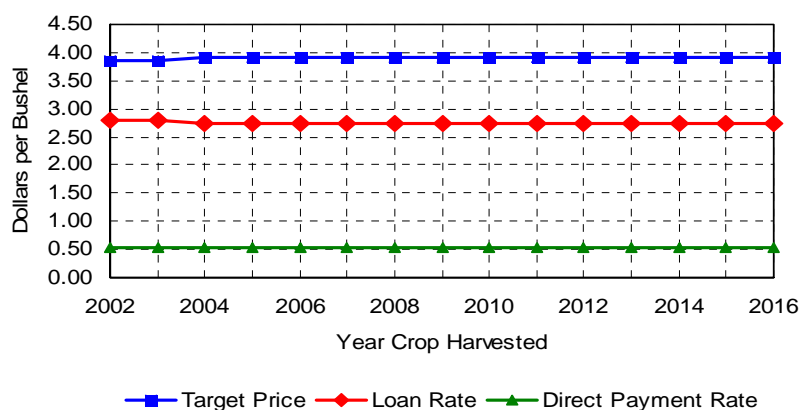
- Net farm income declined sharply from its record high in 2004, largely because of increases in farm production costs.
- In 2007, net farm income increases by almost \$7 billion. A large increase in crop receipts more than offsets further increases in production costs and lower government payments.
- In nominal terms, average net farm income remains fairly stable at around \$60 billion throughout the baseline.



Policy Assumptions

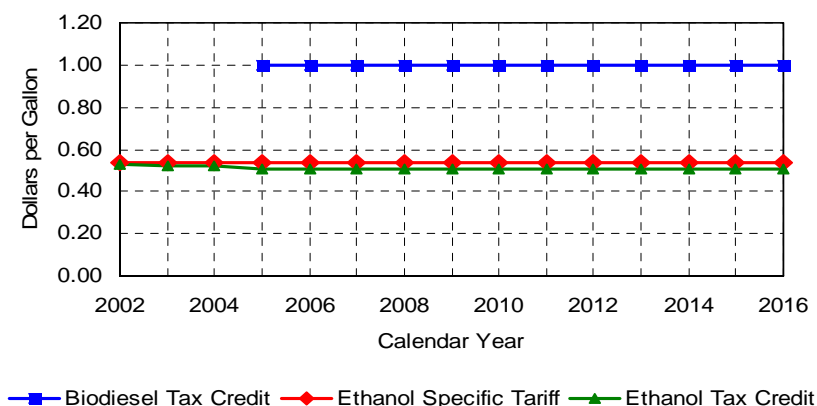
- The baseline assumes provisions of the Farm Security and Rural Investment Act.
- Farm bill provisions set to expire in 2007 are assumed to continue throughout the baseline.
- Loan rates, target prices and direct payment (DP) rates are all held constant between 2006/07 and 2016/17.

Wheat Program Provisions



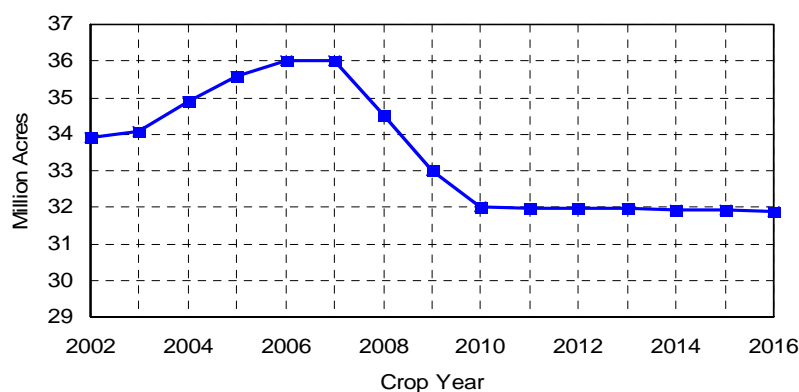
- The baseline assumes that biofuel tax and tariff provisions are extended when they would otherwise expire.
- The ethanol tariff and the biodiesel tax credit are due to expire at the end of 2008. The ethanol tax credit is scheduled to expire at the end of 2010.
- An alternative scenario where the tax provisions expire as scheduled is described beginning on page 62.

Biofuel Tax and Tariff Provisions



- The area enrolled in the Conservation Reserve Program (CRP) is less than the statutory maximum of 39.2 million acres.
- Many CRP contracts are set to expire over the next several years.
- Because of strong crop returns, the baseline assumes that some of the expiring contracts are not renewed, so total CRP area falls from 36 million acres in 2006 to 32 million acres in 2010.

Conservation Reserve Program Area



U.S. Crop Program Provisions, 2006-2016

	Direct Payment		Loan Rate		Target Price		Direct Payment Yield		CCP Yield		2007 Base
	Level	Units	Level	Units	Level	Units	Level	Units	Level	Units	mil. a.
Corn	0.28	\$/bu.	1.95	\$/bu.	2.63	\$/bu.	102.3	bu./a.	114.3	bu./a.	87.61
Sorghum	0.35	\$/bu.	1.95	\$/bu.	2.57	\$/bu.	56.5	bu./a.	58.1	bu./a.	12.03
Barley	0.24	\$/bu.	1.85	\$/bu.	2.24	\$/bu.	47.6	bu./a.	48.7	bu./a.	8.74
Oats	0.02	\$/bu.	1.33	\$/bu.	1.44	\$/bu.	48.3	bu./a.	49.8	bu./a.	3.13
Wheat	0.52	\$/bu.	2.75	\$/bu.	3.92	\$/bu.	34.5	bu./a.	36.1	bu./a.	75.94
Rice	2.35	\$/cwt.	6.50	\$/cwt.	10.50	\$/cwt.	4,817	lb./a.	5,124	lb./a.	4.51
Soybeans	0.44	\$/bu.	5.00	\$/bu.	5.80	\$/bu.	30.8	bu./a.	34.1	bu./a.	52.88
Sunflower	0.80	cents/lb.	9.30	cents/lb.	10.10	cents/lb.	1,084	lb./a.	n.a.	lb./a.	1.84
Canola	0.80	cents/lb.	9.30	cents/lb.	10.10	cents/lb.	1,040	lb./a.	n.a.	lb./a.	0.72
Peanuts	1.80	cents/lb.	17.75	cents/lb.	24.75	cents/lb.	2,990	lb./a.	2,990	lb./a.	1.52
Upland Cotton	6.67	cents/lb.	52.00	cents/lb.	72.40	cents/lb.	601.4	lb./a.	636	lb./a.	18.70
Raw Cane Sugar	n.a.	n.a.	18.00	cents/lb.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Refined Beet Sugar	n.a.	n.a.	22.90	cents/lb.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Dairy and Conservation Reserve Program Provisions

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Dollars per Hundredweight)											
Milk Support Price	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90	9.90
MILCX Payment	0.61	0.14	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(Million Acres)											
Conservation Reserve	36.02	36.00	34.49	32.99	31.99	31.98	31.98	31.97	31.94	31.92	31.89

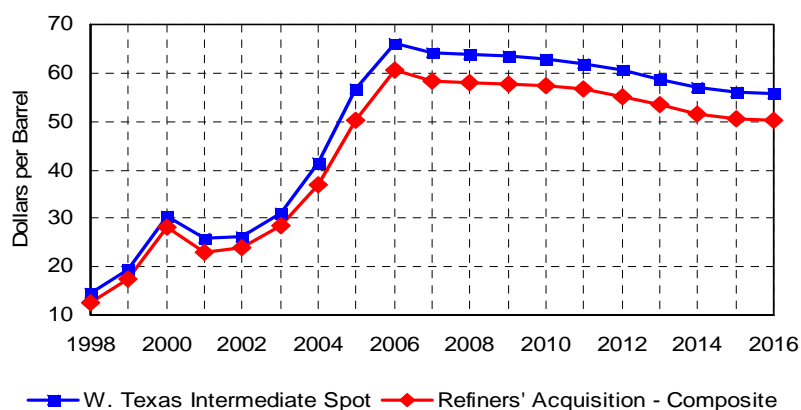
Macroeconomic Assumptions and Farm-Level PPIs

- Petroleum prices moved sharply higher after 2002, due to strong Asian demand growth, supply concerns in producing countries, and other factors.

- Global Insight forecasts a \$9 decline in petroleum prices between 2006 and 2016.

- The figures reported here are the average of 500 alternatives centered on the Global Insight forecast.

Petroleum Prices

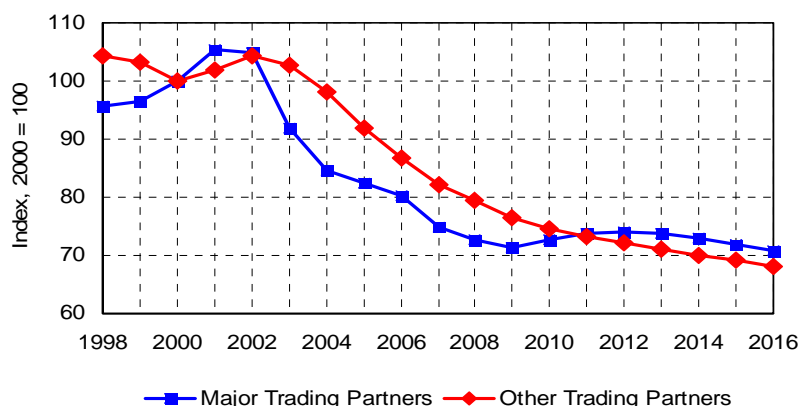


- During 2006, the dollar weakened for the fourth consecutive year against most international currencies.

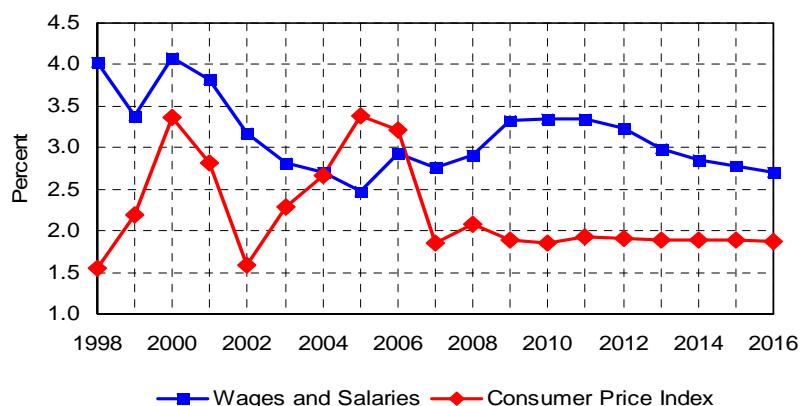
- Global Insight projects further weakening of the dollar through 2009, with little change expected after.

- U.S. agricultural exports benefit from a weaker dollar, as the price of U.S. products in terms of foreign currency is reduced.

Inflation-Adjusted Exchange Rates



Price Inflation



- Global Insight projects wages and salaries to increase at a faster rate than the general Consumer Price Index (CPI) during the next decade.

- After two consecutive years of CPI inflation over 3 percent, future consumer price growth is expected to stay near 2 percent.

- Labor costs play an important role in the cost of marketing food, and higher wage rates will contribute to an increase in the spread between retail food prices and farm commodity prices.

U.S. Macroeconomic Assumptions

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(Percentage Change)										
Real GDP	3.3	2.3	3.2	3.4	3.2	2.8	2.4	2.5	2.7	2.8	2.9
Population Growth	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
CPI, All Urban Consumers	3.2	1.8	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
PPI, All Commodities	4.7	2.6	1.8	0.4	0.3	0.4	0.1	0.4	0.6	0.7	0.7
Wages & Salaries	2.9	2.8	2.9	3.3	3.4	3.3	3.2	3.0	2.8	2.8	2.7
	(Percent)										
Unemployment Rate	4.6	4.9	4.9	4.6	4.4	4.4	4.5	4.8	4.9	4.9	4.9
3-Month Treasury Bill Rate	4.7	4.6	4.4	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
AAA Bond Rate	5.6	5.3	5.7	6.4	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Petroleum Prices	(Dollars per Barrel)										
West Texas Intermediate	66.15	64.04	63.83	63.38	62.97	61.99	60.44	58.72	56.97	55.95	55.64
Refiners' Acquisition Cost	60.44	58.44	58.14	57.71	57.49	56.57	55.05	53.36	51.63	50.59	50.25
Inflation-Adj. Exch. Rate	(Index, 2000=100)										
vs. Major Trading Partners	80.2	75.0	72.7	71.4	72.7	73.7	74.1	73.8	72.9	71.9	70.9
vs. Other Trading Partners	86.8	82.1	79.6	76.6	74.7	73.1	72.1	71.0	70.0	69.1	68.2
Foreign Real GDP Growth	(Percentage Change)										
Major Trading Partners	2.7	2.2	2.4	2.5	2.4	2.3	2.2	2.1	2.1	2.0	2.0
Other Trading Partners	5.6	5.1	5.0	4.9	4.8	4.6	4.5	4.3	4.3	4.1	4.2

Source: Global Insight. Petroleum prices reflect an average of 500 alternatives approximately centered on Global Insight forecasts.

U.S. Indices of Prices Paid by Farmers

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Prod. Items, Interest,	(1990-92=100)										
Taxes and Wages	146	152	156	158	160	163	165	167	170	173	175
Production Items	145	152	155	156	158	159	160	162	163	165	167
Feed	123	153	155	155	154	152	151	149	146	144	142
Livestock & Poultry	132	126	122	120	120	122	123	122	125	129	130
Seeds	181	188	192	195	198	201	204	207	211	215	220
Fertilizer	175	183	190	190	190	191	191	192	194	197	199
Mixed Fertilizer	153	159	162	164	165	167	169	171	174	177	180
Nitrogen Fertilizer	198	209	219	216	214	213	211	212	213	214	215
Potash and Phosph.	176	182	186	189	191	194	196	199	202	206	209
Agricultural Chemicals	127	129	131	132	134	135	137	139	141	143	146
Fuels	243	245	250	248	246	243	239	236	234	235	235
Supplies & Repairs	150	154	159	163	167	171	175	179	183	187	191
Autos & Trucks	113	112	110	109	108	108	107	107	106	106	106
Farm Machinery	180	186	192	195	199	203	207	212	217	221	226
Building Material	149	155	159	162	165	167	170	172	176	179	183
Farm Services	133	136	139	141	143	146	149	153	156	159	161
Rent	131	136	142	145	147	148	149	149	149	150	150
Interest 1/	117	118	125	135	138	140	142	144	146	149	150
Taxes 2/	129	135	139	142	144	148	150	153	156	159	162
Wage Rates	169	175	179	184	189	195	201	207	213	218	224

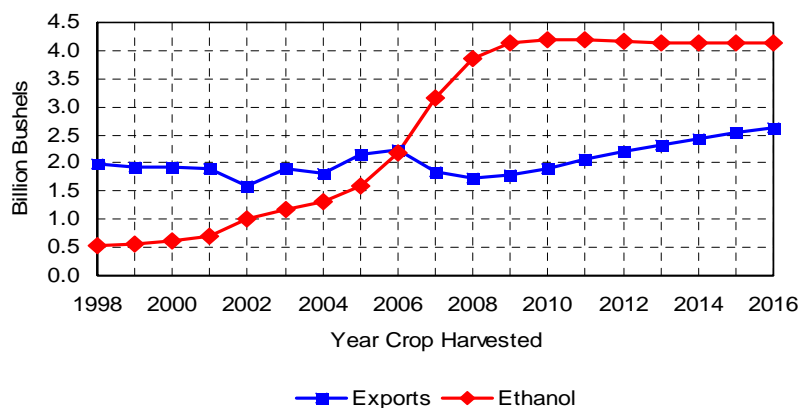
1/ Interest per acre on farm real estate debt and interest rate on farm non-real estate debt.

2/ Farm real estate taxes payable per acre.

Corn

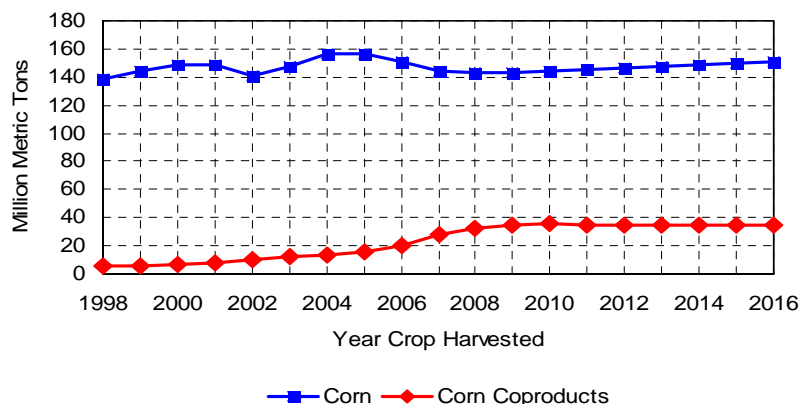
Corn Exports and Use for Ethanol

- Projected ethanol use of corn almost doubles between 2005/06 and 2007/08. It exceeds 4 billion bushels in 2009/10.
- U.S. corn exports have been strong during the 2006/07 marketing year. They are expected to decline over the next two years as foreign suppliers and users respond to high corn prices.
- Ethanol use levels off after 2010/11. The resulting moderation in corn prices allows U.S. corn exports to rebound.



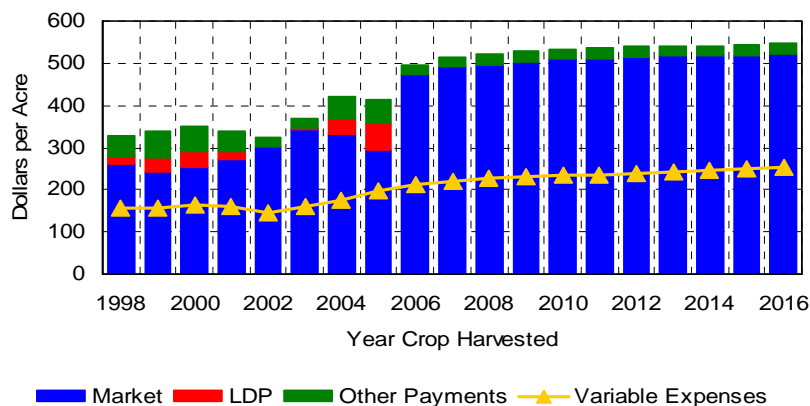
Feed Use of Corn and Corn Coproducts

- Corn feed use is expected to decline until 2009/10. This is because of high corn prices and increased availability of DDGs and other ethanol coproducts.
- Corn coproduct use levels off once the growth in ethanol production slows.
- Corn feed use reaches the 2006/07 level once again in 2016/17.



Corn Returns

- Sharply higher corn prices in 2006/07 have eliminated loan deficiency payments (LDPs) and countercyclical payments (CCPs).
- Average corn prices over \$3.00 per bushel lead to market gross returns that average about \$500 per acre over the next ten years.
- In spite of rising variable production expenses, net returns to corn producers remain very high by historical standards.



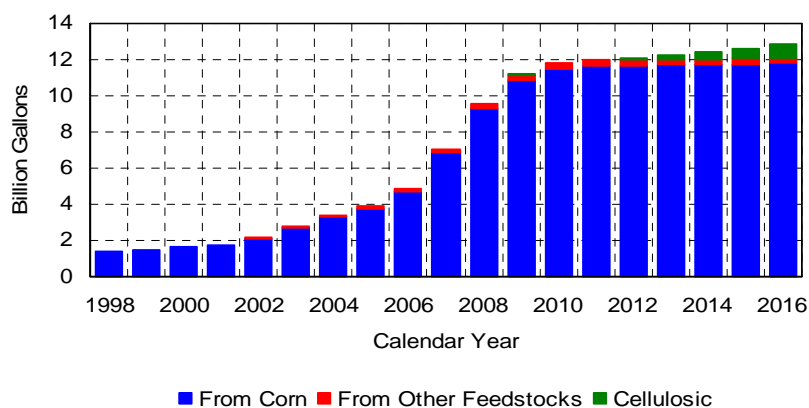
U.S. Corn Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area (Million Acres)											
Base Area	87.6	87.6	87.7	87.7	87.7	87.7	87.7	87.7	87.7	87.7	87.7
Planted Area	78.3	86.7	89.7	89.8	90.0	90.1	90.1	90.0	89.8	89.6	89.4
Harvested Area	70.6	79.4	82.4	82.5	82.8	82.9	82.9	82.8	82.7	82.5	82.4
Yield (Bushels per Acre)											
Actual	149.1	152.9	155.1	157.1	159.4	161.9	163.9	166.0	168.4	170.4	172.6
Program, Direct	102.3	102.3	102.3	102.3	102.3	102.3	102.3	102.3	102.3	102.3	102.3
Program, CCP	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3	114.3
Supply (Million Bushels)											
Beginning Stocks	1,967	760	837	1,004	1,024	1,049	1,093	1,131	1,168	1,233	1,262
Production	10,535	12,148	12,792	12,972	13,207	13,427	13,600	13,754	13,936	14,054	14,227
Imports	10	10	10	10	10	10	10	10	10	10	10
Domestic Use											
Feed, Residual	5,941	5,687	5,650	5,626	5,676	5,729	5,775	5,816	5,858	5,902	5,952
Fuel Alcohol	2,183	3,160	3,845	4,139	4,188	4,180	4,165	4,142	4,129	4,126	4,128
HFCS	521	523	525	528	531	534	537	540	542	545	547
Seed	22	23	23	23	23	23	23	23	23	23	23
Food, Other	835	842	849	855	862	869	876	883	889	896	902
Exports	2,249	1,846	1,743	1,790	1,912	2,060	2,197	2,323	2,440	2,543	2,635
Total Use	11,752	12,081	12,635	12,962	13,192	13,394	13,572	13,727	13,881	14,036	14,187
Ending Stocks	760	837	1,004	1,024	1,049	1,093	1,131	1,168	1,233	1,262	1,311
CCC Inventory	0	0	0	0	0	0	0	0	0	0	0
Under Loan	48	60	64	65	69	74	80	85	95	98	103
Other Stocks	712	777	940	959	980	1,018	1,051	1,083	1,138	1,164	1,208
Prices and Returns (Dollars)											
Farm Price/bu.	3.17	3.23	3.22	3.23	3.21	3.18	3.16	3.13	3.09	3.06	3.04
Loan Rate/bu.	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Average LDP Rate/bu.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target Price/bu.	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63
CCP Rate/bu.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Direct Payment/bu.	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Gross Market Revenue/a.	472.15	490.68	497.43	504.42	509.34	512.16	514.90	516.53	516.91	518.48	522.09
LDP Revenue/a.	0.04	0.01	0.02	0.00	0.03	0.08	0.13	0.08	0.26	0.27	0.26
Variable Expenses/a.	212.14	220.84	228.19	231.22	233.78	236.63	238.77	242.04	245.77	250.06	254.34
Mkt + LDP Net Returns/a.	260.05	269.85	269.25	273.20	275.60	275.61	276.26	274.57	271.40	268.69	268.01
CCP Revenue/Base a.	0.00	0.01	0.05	0.00	0.06	0.13	0.23	0.18	0.49	0.47	0.45
Direct Payment/Base a.	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35

Ethanol and Coproducts

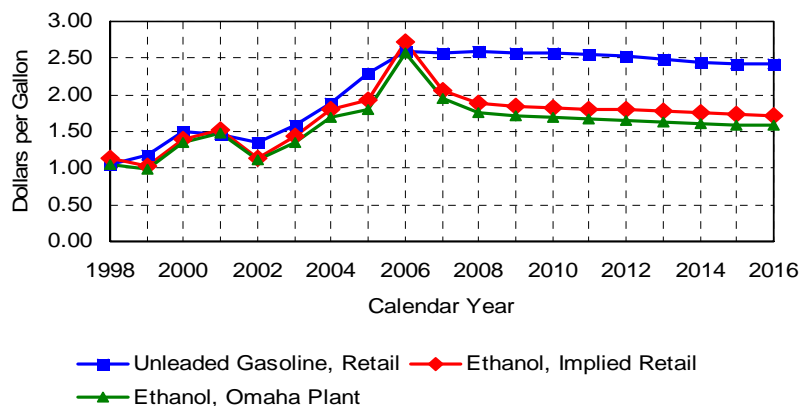
Ethanol Production

- U.S. ethanol production reached almost 5 billion gallons in 2006 and is projected to exceed 10 billion gallons by 2010. This reflects very rapid growth in capacity.
- Corn is the predominant feedstock for U.S. ethanol production.
- The baseline assumes modest levels of cellulosic ethanol production, with most of the growth occurring after 2012.



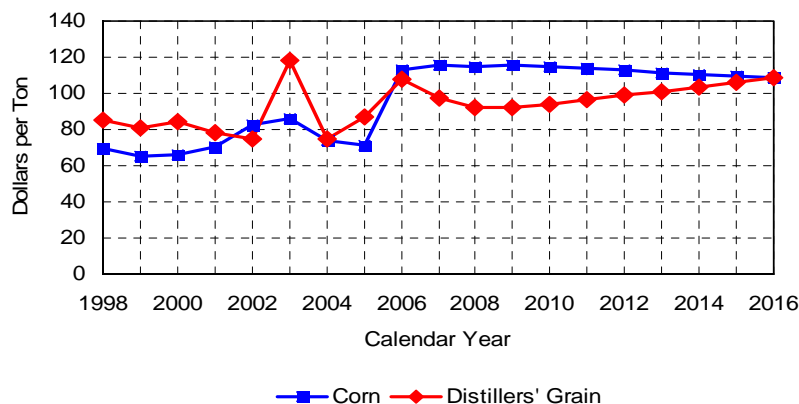
Ethanol and Unleaded Gasoline Prices

- A tax credit of 51 cents per gallon narrows the gap between plant and retail prices for ethanol.
- The energy content of ethanol is less than 70 percent of gasoline on a per gallon basis.
- The ratio of ethanol to gasoline prices falls sharply in 2007 and 2008, as rising production means ethanol must compete as a fuel, not just as an additive.



Corn and Distillers' Grain Prices

- DDG, a coproduct of ethanol production in dry mill plants, is used as a livestock feed.
- Rapid growth in distillers' grain production is expected to depress its price relative to corn over the next several years.
- DDG prices recover in later years, as production levels off and more livestock producers learn how to use it profitably in feed rations.



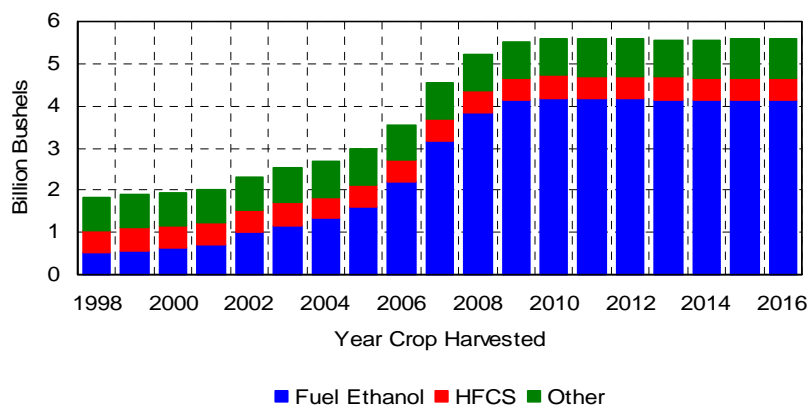
U.S. Ethanol and Coproduct Supply and Utilization

Calendar or Crop Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ethanol											
	(Million Gallons, Calendar Year)										
Production	4,856	7,057	9,560	11,178	11,849	12,021	12,106	12,226	12,398	12,604	12,848
From Corn	4,692	6,845	9,294	10,873	11,518	11,661	11,692	11,702	11,707	11,740	11,797
From Other Feedstocks	165	211	262	292	304	305	305	305	304	304	304
Cellulosic	0	0	3	13	27	54	109	220	387	560	746
Net Imports (Ethyl Alcohol)	679	238	290	292	299	305	311	317	326	333	338
Disappearance	5,370	7,234	9,692	11,369	12,102	12,312	12,410	12,534	12,712	12,924	13,171
Ending Stocks	399	460	618	718	764	777	785	794	806	819	834
Renewable Fuel Mandate	4,000	4,700	5,400	6,100	6,800	7,400	7,500	7,588	7,675	7,761	7,847
Production Capacity, Jan. 1	4,336	5,386	8,867	11,868	13,670	14,302	14,568	14,813	15,125	15,430	15,698
Fuel Prices											
	(Dollars per Barrel, Calendar Year)										
Petroleum, Ref. Acquisition	60.44	58.44	58.14	57.71	57.49	56.57	55.05	53.36	51.63	50.59	50.25
Petroleum, W. TX Interm.	66.15	64.04	63.83	63.38	62.97	61.99	60.44	58.72	56.97	55.95	55.64
	(Dollars per Gallon, Calendar Year)										
Unl. Gasoline, FOB Omaha	1.94	1.95	1.96	1.95	1.94	1.91	1.88	1.83	1.80	1.77	1.76
Unl. Gasoline, Retail	2.59	2.58	2.59	2.58	2.57	2.55	2.52	2.48	2.45	2.42	2.42
Ethanol, FOB Omaha	2.58	1.95	1.76	1.72	1.70	1.68	1.66	1.63	1.61	1.59	1.58
Ethanol, Tax Credit	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
Ethanol, Implied Retail	2.72	2.06	1.88	1.84	1.82	1.81	1.79	1.77	1.75	1.73	1.72
Ethanol/Gas Retail Ratio	105.0%	80.1%	72.7%	71.4%	70.9%	71.0%	71.1%	71.2%	71.4%	71.4%	71.4%
Distillers, Brewers Grains											
	(Thousand Tons, Sep.-Aug. Year)										
Production (Dry Equivalent)	16,025	23,700	29,060	31,596	32,127	32,198	32,197	32,153	32,177	32,286	32,416
Domestic Use	14,677	22,213	27,430	29,856	30,276	30,227	30,101	29,943	29,847	29,844	29,874
Net Exports	1,348	1,487	1,630	1,741	1,850	1,971	2,096	2,210	2,330	2,442	2,541
	(Dollars per Ton, Sep.-Aug. Year)										
Price, Lawrenceburg, IN	107.54	97.35	92.09	91.86	94.05	96.26	98.84	101.28	103.22	105.83	108.94
Corn Gluten Feed											
	(Thousand Tons, Sep.-Aug. Year)										
Production	9,079	9,533	9,883	9,894	9,860	9,805	9,762	9,709	9,656	9,614	9,567
Domestic Use	6,293	6,719	7,056	7,078	7,062	7,025	7,001	6,965	6,928	6,906	6,879
Net Exports	2,787	2,814	2,826	2,816	2,798	2,781	2,761	2,743	2,727	2,709	2,687
	(Dollars per Ton, Sep.-Aug. Year)										
Price, 21%, IL Points	79.70	79.04	77.45	77.07	76.96	76.63	76.78	76.48	75.78	75.44	75.49
Corn Gluten Meal											
	(Thousand Tons, Sep.-Aug. Year)										
Production	2,389	2,509	2,601	2,604	2,595	2,580	2,569	2,555	2,541	2,530	2,518
Domestic Use	1,389	1,503	1,587	1,583	1,568	1,548	1,532	1,513	1,493	1,477	1,459
Net Exports	1,000	1,005	1,014	1,020	1,026	1,032	1,036	1,042	1,048	1,053	1,058
	(Dollars per Ton, Sep.-Aug. Year)										
Price, 60%, IL Points	273.81	281.97	277.60	271.60	267.34	264.33	263.58	259.68	253.73	248.01	243.93
Corn Oil											
	(Million Pounds, Oct.-Sep. Year)										
Production	2,494	2,619	2,715	2,718	2,709	2,694	2,682	2,667	2,653	2,641	2,628
Domestic Use	1,775	1,901	2,001	2,001	1,986	1,966	1,951	1,933	1,917	1,903	1,889
Net Exports	731	724	719	719	723	727	731	734	737	739	741
Ending Stocks	124	118	113	111	111	112	112	111	110	108	106
	(Cents per Pound, Oct.-Sep. Year)										
Chicago Price	28.93	32.26	34.97	35.82	35.84	35.60	35.59	35.65	35.92	36.14	36.57

Corn Processing

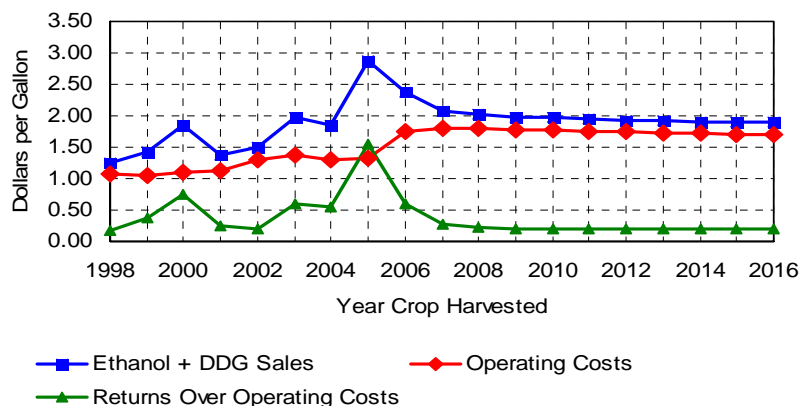
Corn Food and Industrial Use

- Ethanol use accounts for most of the growth in corn food and industrial use.
- Corn used for high-fructose corn syrup (HFCS) increases slightly, but per capita HFCS supplies decline.
- Other food and industrial uses also grow slowly.



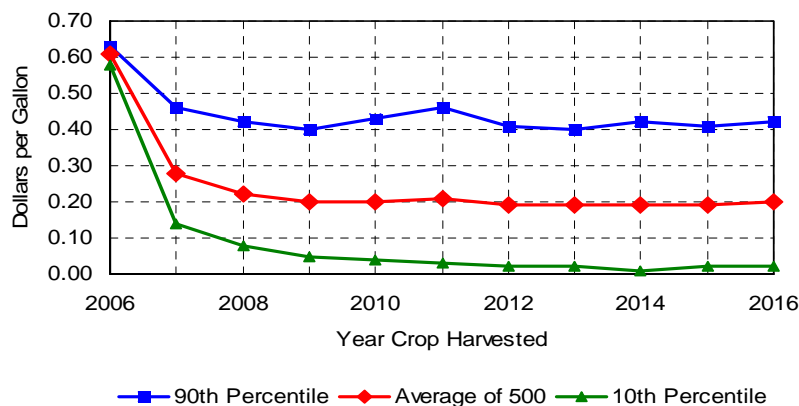
Ethanol Dry Mill Costs and Returns

- Ethanol dry mill net returns were at record high levels in 2005/06, a year of high ethanol prices and low corn prices.
- Falling ethanol prices and rising corn prices sharply reduce net returns in 2006/07 and 2007/08.
- From 2008-2016, net returns over operating costs average about \$0.20 per gallon. Operating costs exclude capital costs, so net profits would be lower.
- The decline in returns explains the slowdown in plant capacity expansion.



Ethanol Dry Mill Net Returns Over Operating Costs

- Actual net returns to ethanol production depend on petroleum prices, the weather, and other factors hard to predict.
- In 10 percent of 500 alternative futures, returns to ethanol production are more than double the average level.
- In 10 percent of the 500 alternative futures, net returns over operating costs are near or below zero.
- All 500 alternatives assume current tax credits and other policies remain in place.



U.S. Corn Processing

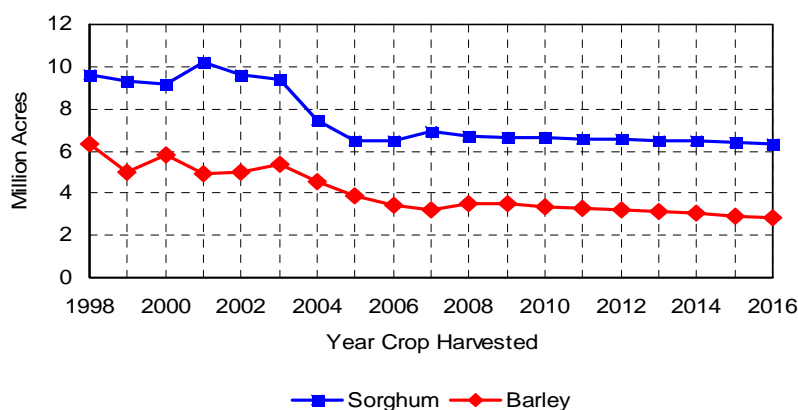
Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Corn Food, Industrial Use											
	(Million Bushels)										
Fuel Alcohol	2,183	3,160	3,845	4,139	4,188	4,180	4,165	4,142	4,129	4,126	4,128
HFCS	521	523	525	528	531	534	537	540	542	545	547
Glucose and Dextrose	235	238	239	240	241	242	243	244	245	246	246
Starch	275	277	280	282	285	287	290	292	295	298	300
Beverage Alcohol	135	136	137	138	140	141	142	144	145	146	147
Cereals and Other	189	191	193	195	197	199	201	202	204	206	208
Total	3,539	4,525	5,219	5,522	5,581	5,582	5,577	5,565	5,560	5,568	5,577
Corn Dry Milling											
Corn Dry Milled for Ethanol	1,757	2,661	3,293	3,591	3,655	3,664	3,664	3,659	3,662	3,675	3,691
(Share of Total Ethanol)	80.5%	84.2%	85.6%	86.8%	87.3%	87.6%	88.0%	88.3%	88.7%	89.1%	89.4%
Yields per Bushel of Corn											
	(Units per Bushel)										
Ethanol (Gallons)	2.73	2.75	2.76	2.78	2.79	2.81	2.82	2.84	2.85	2.87	2.88
Distillers Grains (Pounds)	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Costs and Returns											
	(Dollars per Gallon)										
Ethanol Value	2.03	1.78	1.73	1.70	1.69	1.67	1.64	1.61	1.60	1.58	1.58
Distillers Grains Value	0.33	0.30	0.28	0.28	0.29	0.29	0.30	0.30	0.31	0.31	0.32
Corn Cost	-1.16	-1.18	-1.17	-1.16	-1.15	-1.13	-1.12	-1.10	-1.08	-1.07	-1.06
Fuel and Electricity Cost	-0.28	-0.30	-0.30	-0.30	-0.29	-0.29	-0.29	-0.29	-0.29	-0.29	-0.29
Other Operating Costs	-0.32	-0.32	-0.32	-0.33	-0.33	-0.33	-0.34	-0.34	-0.34	-0.35	-0.35
Net Operating Return	0.61	0.28	0.22	0.20	0.20	0.21	0.19	0.19	0.19	0.19	0.20
Corn Wet Milling											
	(Million Bushels)										
Corn Wet Milled for Ethanol	426	498	553	548	533	516	501	483	467	452	437
(Share of Total Ethanol)	19.5%	15.8%	14.4%	13.2%	12.7%	12.4%	12.0%	11.7%	11.3%	10.9%	10.6%
Other Corn Wet Milling	1,167	1,174	1,181	1,188	1,196	1,204	1,212	1,220	1,227	1,235	1,241
Total Corn Wet Milling	1,593	1,672	1,734	1,736	1,730	1,720	1,713	1,703	1,694	1,687	1,678
Yields per Bushel of Corn											
	(Units per Bushel)										
Ethanol (Gallons)	2.69	2.69	2.70	2.71	2.72	2.72	2.73	2.74	2.75	2.75	2.76
Gluten Feed (Pounds)	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40
Gluten Meal (Pounds)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Corn Oil (Pounds)	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57
Costs and Returns											
	(Dollars per Gallon)										
Ethanol Value	2.03	1.78	1.73	1.70	1.69	1.67	1.64	1.61	1.60	1.58	1.58
Gluten Feed Value	0.17	0.17	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Gluten Meal Value	0.15	0.16	0.15	0.15	0.15	0.15	0.14	0.14	0.14	0.14	0.13
Corn Oil Value	0.17	0.19	0.20	0.21	0.21	0.20	0.20	0.20	0.20	0.21	0.21
Corn Cost	-1.18	-1.20	-1.19	-1.19	-1.18	-1.17	-1.16	-1.14	-1.12	-1.11	-1.10
Fuel and Electricity Cost	-0.22	-0.23	-0.24	-0.23	-0.23	-0.22	-0.22	-0.22	-0.22	-0.23	-0.23
Other Operating Costs	-0.50	-0.51	-0.51	-0.52	-0.52	-0.53	-0.53	-0.54	-0.54	-0.55	-0.55
Net Operating Return	0.62	0.35	0.31	0.28	0.27	0.26	0.24	0.22	0.20	0.19	0.19

Sorghum and Barley

U.S. sorghum and barley area has declined sharply in recent years, as returns have not been competitive with other crops.

The sharp increase in feed grain prices is expected to result in an increase in sorghum acreage in 2007.

Sorghum and Barley Area Planted

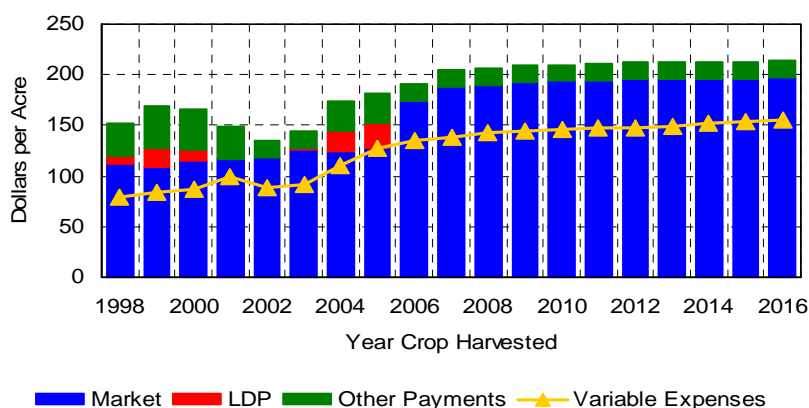


In 2005/06, market receipts were about the same as variable production expenses. Government payments accounted for almost the entire net return to producers.

The increase in sorghum prices in 2006/07 results in much greater net returns from the market and less reliance on government payments.

Projected net returns peak in 2007/08, but decline in later years due to rising production expenses.

Sorghum Returns

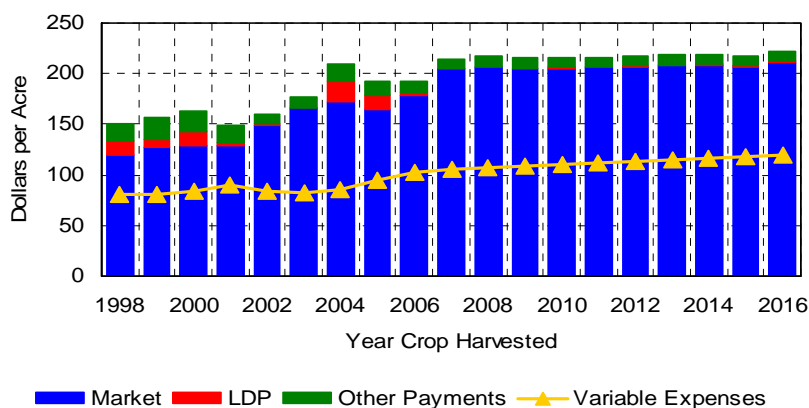


In contrast to other feed grains, the modest increase in 2006/07 barley prices is more than offset by lower yields and increased production costs, reducing net returns relative to 2005/06.

Higher barley prices increase projected net returns in 2007/08.

This figure shows average barley returns. Malting and feed barley producers may have very different experiences than suggested by these all barley averages.

Barley Returns



U.S. Sorghum Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area	(Million Acres)										
Planted Area	6.52	6.92	6.69	6.63	6.62	6.58	6.55	6.51	6.46	6.41	6.37
Harvested Area	4.94	5.75	5.55	5.50	5.48	5.44	5.42	5.37	5.33	5.29	5.25
Yield	(Bushels per Acre)										
	56.2	63.9	64.1	64.4	64.5	64.7	65.1	65.2	65.4	65.7	65.9
Supply and Use	(Million Bushels)										
Production	278	368	357	355	355	353	354	351	350	348	347
Imports	0	0	0	0	0	0	0	0	0	0	0
Domestic Use	155	215	214	210	203	194	187	178	169	160	152
Exports	155	139	143	145	151	159	165	171	179	187	193
Ending Stocks	33	48	49	49	49	50	52	54	56	57	58
Prices and Returns	(Dollars)										
Farm Price/bu.	3.09	2.97	2.98	3.01	3.02	3.02	3.02	3.02	3.00	3.01	3.02
Gross Market Revenue/a.	173.65	188.06	189.71	192.08	193.36	194.04	195.04	195.03	194.92	196.20	197.46
LDP Revenue/a.	0.87	0.04	0.13	0.03	0.05	0.10	0.05	0.10	0.12	0.07	0.02
Variable Expenses/a.	135.15	138.82	142.39	144.10	145.49	146.87	147.94	149.55	151.40	153.70	156.01
CCP Revenue/Base a.	0.00	0.08	0.18	0.07	0.07	0.09	0.10	0.14	0.19	0.11	0.05
Direct Payment/Base a.	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81	16.81

U.S. Barley Supply and Utilization

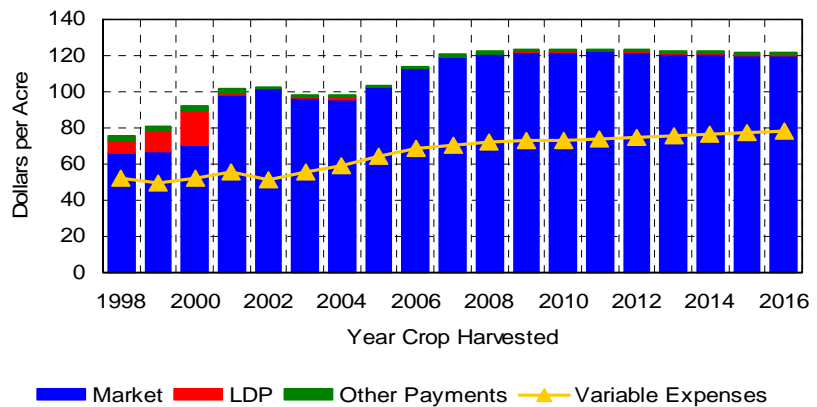
Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area	(Million Acres)										
Planted Area	3.45	3.24	3.52	3.48	3.37	3.27	3.18	3.10	3.02	2.94	2.83
Harvested Area	2.95	2.80	3.06	3.01	2.92	2.83	2.75	2.68	2.61	2.54	2.45
Yield	(Bushels per Acre)										
	61.0	64.0	64.3	64.9	65.5	66.4	67.0	67.8	68.5	69.1	69.8
Supply and Use	(Million Bushels)										
Production	180	179	197	196	191	188	184	182	179	175	171
Imports	14	20	20	20	20	21	21	22	23	23	24
Domestic Use	205	193	199	198	194	191	189	188	187	184	182
Exports	25	17	17	17	17	16	15	15	14	13	13
Ending Stocks	72	60	61	62	62	64	65	66	67	68	68
Prices and Returns	(Dollars)										
All Barley Farm Price/bu.	2.94	3.22	3.24	3.18	3.16	3.12	3.11	3.09	3.06	3.00	3.05
Feed Barley Price/bu.	2.57	2.72	2.72	2.70	2.68	2.66	2.64	2.62	2.59	2.55	2.56
Gross Market Revenue/a.	179.29	204.77	206.74	205.45	205.62	206.25	207.19	207.96	207.95	206.39	211.29
LDP Revenue/a.	2.85	0.10	0.27	0.25	0.32	0.44	0.60	0.82	1.25	1.13	1.27
Variable Expenses/a.	102.14	104.95	107.30	108.82	110.03	111.43	112.65	114.23	116.04	118.08	120.11
CCP Revenue/Base a.	0.00	0.01	0.06	0.04	0.06	0.09	0.14	0.17	0.28	0.24	0.25
Direct Payment/Base a.	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71	9.71

Oats and Hay

- The per acre value of oats production increases slightly more rapidly than production costs in 2006/07 and 2007/08, so net returns increase.

- Government payments to oats producers are very small at the projected price levels.

Oats Returns



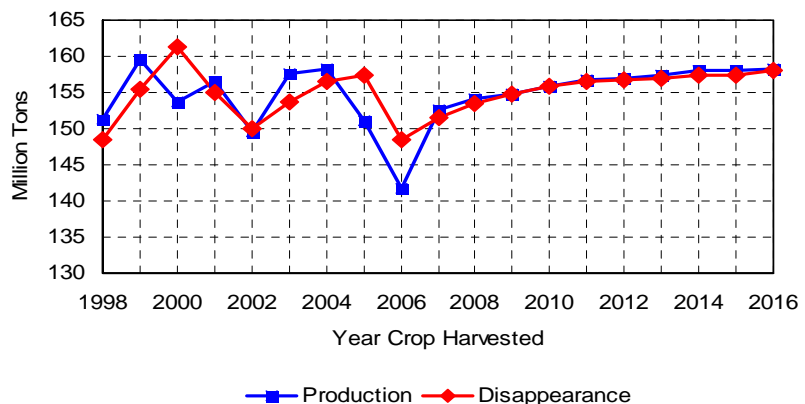
- In 2006, national average hay yields were at their lowest level since 1989.

- The result was a draw-down in hay stocks and the highest season-average hay prices ever.

- Hay area remains fairly stable, so the increase in production is a result of slow growth in yields per acre.

- Disappearance (domestic use plus exports) grows slowly over the baseline.

Hay Production and Disappearance

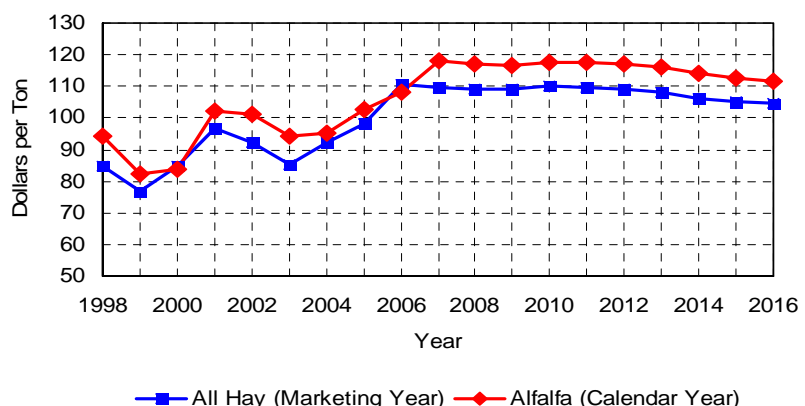


- Hay prices rose for the third straight year in 2006/07 because of tighter supplies.

- Hay prices are expected to remain high by historical standards even if yields return to average levels.

- Hay markets are more fragmented than markets for most other agricultural commodities, so trends in national average prices may not be reflected at the local level.

Hay Price



U.S. Oats Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area	(Million Acres)										
Planted Area	4.17	3.89	3.83	3.82	3.80	3.77	3.76	3.72	3.70	3.69	3.67
Harvested Area	1.58	1.60	1.57	1.56	1.55	1.54	1.53	1.51	1.51	1.50	1.49
Yield	(Bushels per Acre)										
	59.5	62.6	63.0	63.3	63.7	64.3	64.4	64.8	65.2	65.5	65.8
Supply and Use	(Million Bushels)										
Production	94	100	99	99	99	99	98	98	98	98	98
Imports	105	104	104	103	103	102	102	101	100	100	99
Domestic Use	201	203	202	201	200	199	198	197	196	196	195
Exports	2	2	2	2	2	2	2	2	2	2	2
Ending Stocks	48	47	46	46	46	46	46	46	46	47	47
Prices and Returns	(Dollars)										
Farm Price/bu.	1.90	1.91	1.92	1.93	1.92	1.91	1.90	1.87	1.85	1.84	1.83
Gross Market Revenue/a.	113.19	119.24	120.89	121.81	122.10	122.42	121.67	121.12	120.60	119.77	119.80
LDP Revenue/a.	0.00	0.20	0.35	0.39	0.30	0.44	0.58	0.52	0.73	0.83	0.97
Variable Expenses/a.	68.82	70.73	72.13	72.93	73.43	74.10	74.61	75.38	76.30	77.35	78.39
CCP Revenue/Base a.	0.00	0.01	0.04	0.06	0.03	0.07	0.08	0.06	0.10	0.14	0.15
Direct Payment/Base a.	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99

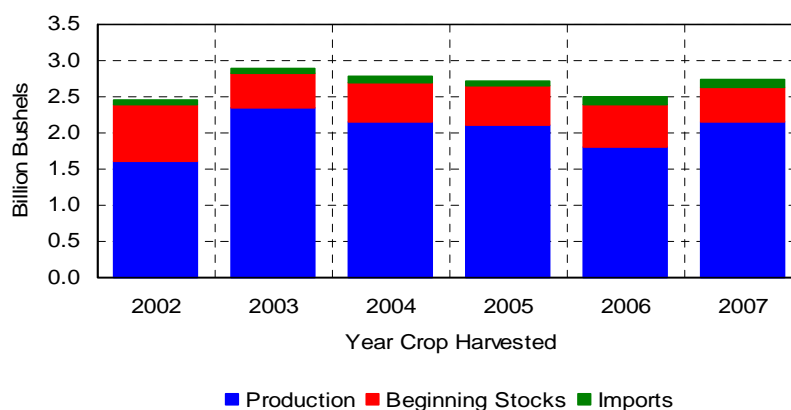
U.S. Hay Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Harvested Area	(Million Acres)										
	60.8	60.6	61.0	61.1	61.1	61.1	61.0	60.9	60.8	60.6	60.4
Yield	(Tons per Acre)										
	2.33	2.52	2.53	2.53	2.55	2.57	2.57	2.58	2.60	2.61	2.62
Supply and Use	(Million Tons)										
Production	141.7	152.6	154.2	154.8	155.9	156.8	156.9	157.4	158.1	158.0	158.3
Disappearance	148.5	151.5	153.4	154.8	155.9	156.5	156.7	156.9	157.4	157.5	158.1
Ending Stocks	14.5	15.5	16.3	16.3	16.3	16.5	16.8	17.2	18.0	18.5	18.7
Prices	(Dollars per Ton)										
All Hay (Crop Year)	110.66	109.81	108.90	109.36	109.92	109.54	109.16	107.98	106.26	105.21	104.70
Alfalfa (Calendar Year)	108.15	117.95	116.87	116.77	117.40	117.39	116.93	115.89	114.06	112.46	111.58

Wheat

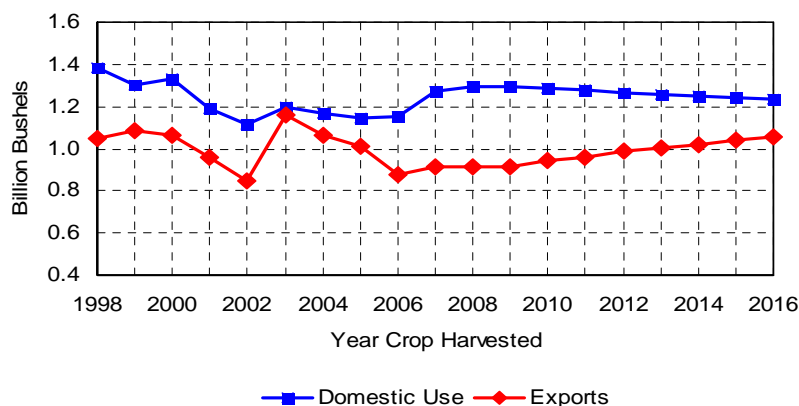
Wheat Supply

- Low yields and a large number of abandoned acres reduced 2006 wheat production.
- The resulting tight supplies contributed to the large increase in wheat prices in 2006/07.
- Wheat acreage is expected to increase in 2007. If yields also rebound to more normal levels, wheat supplies should not be as tight in 2007/08.



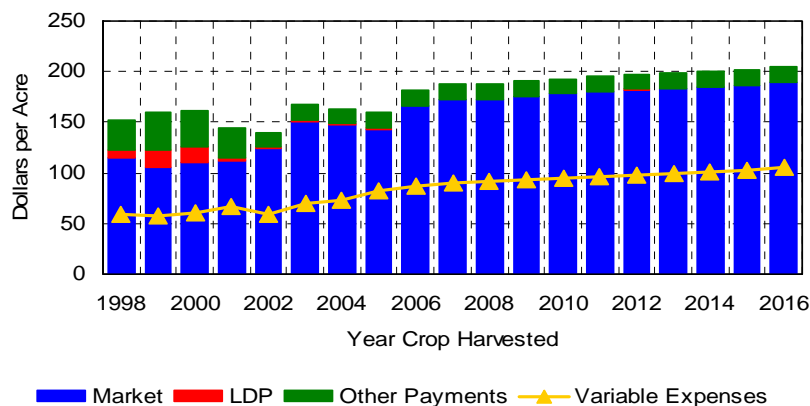
Wheat Utilization

- Estimated U.S. wheat exports decline for the third straight year in 2006/07.
- Exports increase slowly over the next ten years, but even in 2016/17 remain below the 2004/05 level.
- Per capita domestic food use declines slightly over the baseline.
- Wheat feed use increases in 2007/08 as wheat prices decline relative to corn, but then declines in later years when the situation is reversed.



Wheat Returns

- In spite of low yields, the sharp increase in wheat prices increases producer returns in 2006/07.
- If yields return to normal in 2007/08, returns to wheat producers may increase even if prices decline slightly.
- Wheat net returns remain strong throughout the baseline, but even greater returns to corn and soybean production means the long-term decline in wheat acreage is likely to resume in 2008.



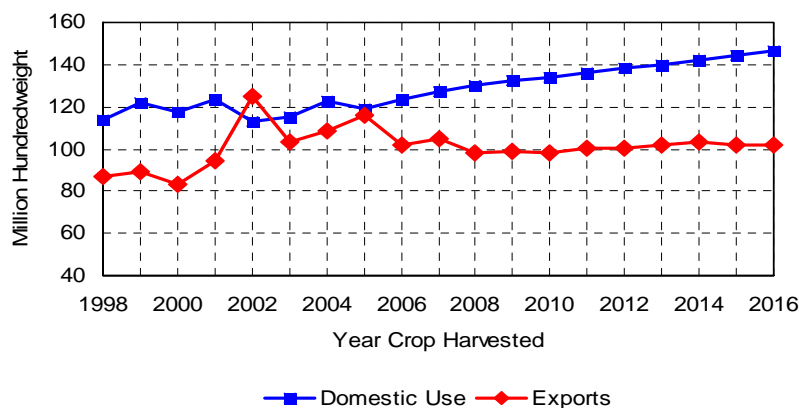
U.S. Wheat Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area (Million Acres)											
Base Area	75.9	75.9	76.0	76.1	76.1	76.1	76.1	76.1	76.1	76.1	76.1
Planted Area	57.3	60.1	58.6	57.8	57.8	57.7	57.7	57.6	57.4	57.3	57.1
Harvested Area	46.8	51.3	50.0	49.2	49.3	49.2	49.2	49.1	49.0	48.8	48.7
Yield (Bushels per Acre)											
Actual	38.7	42.1	42.4	42.7	43.0	43.3	43.6	43.9	44.3	44.6	44.9
Program, Direct	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Program, CCP	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Supply (Million Bushels)											
Beginning Stocks	571	472	550	564	557	552	552	551	553	556	557
Production	1,812	2,163	2,118	2,102	2,122	2,136	2,148	2,159	2,168	2,179	2,187
Imports	115	102	101	101	102	102	102	102	102	102	102
Domestic Use	1,151	1,272	1,295	1,294	1,286	1,277	1,263	1,256	1,249	1,241	1,234
Feed, Residual	144	259	275	269	257	243	224	212	199	187	175
Seed	82	80	79	79	80	80	80	80	80	80	80
Food, Other	925	933	940	945	949	955	959	964	969	974	979
Exports	875	915	911	917	942	961	989	1,003	1,019	1,038	1,057
Total Use	2,026	2,187	2,205	2,211	2,228	2,238	2,252	2,259	2,267	2,279	2,291
Ending Stocks	472	550	564	557	552	552	551	553	556	557	557
CCC Inventory	35	35	35	35	35	35	35	35	35	35	35
Under Loan	24	32	32	31	31	31	31	31	31	31	31
Other Stocks	414	483	496	490	486	486	485	487	490	491	491
Prices and Returns (Dollars)											
Farm Price/bu.	4.28	4.11	4.06	4.11	4.14	4.16	4.19	4.19	4.19	4.20	4.22
Loan Rate/bu.	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Average LDP Rate/bu.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Target Price/bu.	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92	3.92
CCP Rate/bu.	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Direct Payment/bu.	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
Gross Market Revenue/a.	165.72	172.85	171.75	174.86	177.90	180.12	182.44	183.80	185.15	186.68	189.07
LDP Revenue/a.	0.00	0.01	0.04	0.03	0.02	0.03	0.02	0.05	0.03	0.01	0.02
Variable Expenses/a.	87.63	90.08	92.27	93.71	94.91	96.30	97.51	99.08	100.85	102.86	104.87
Mkt + LDP Net Returns/a.	78.09	82.78	79.52	81.18	83.01	83.86	84.94	84.77	84.33	83.84	84.21
CCP Revenue/Base a.	0.00	0.06	0.16	0.12	0.10	0.11	0.06	0.17	0.14	0.07	0.07
Direct Payment/Base a.	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25

Rice

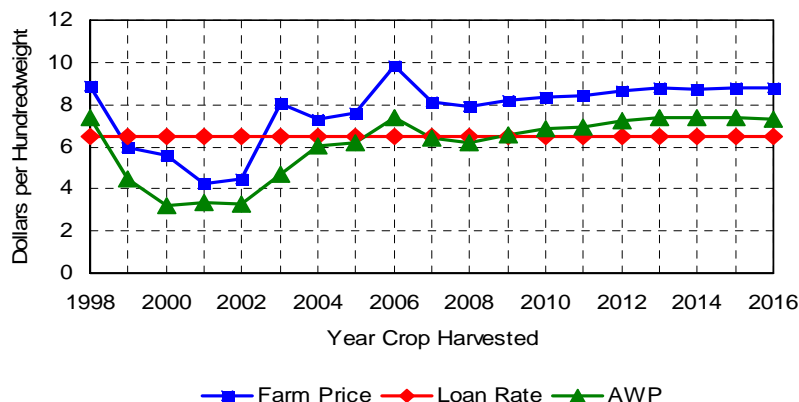
Rice Utilization

- U.S. rice exports have declined in 2006/07, largely because reduced production has limited exportable supplies.
- An increase in rice production makes a slight increase in U.S. rice exports possible in 2007/08. Exports remain below the 2005/06 level throughout the baseline.
- Domestic rice use increases, reflecting both population growth and a small increase in per capita consumption.



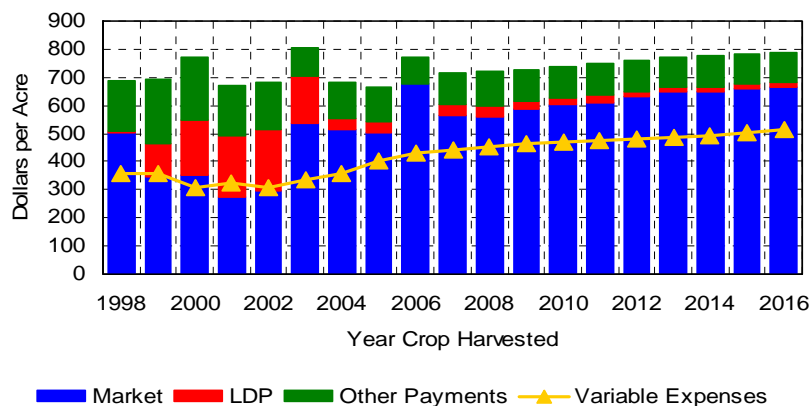
Rice Prices

- The season average farm price of rice in 2006/07 will exceed \$9.00 per hundredweight for the first time since 1997/98.
- Increased rice production results in lower prices in 2007/08.
- Average adjusted world prices (AWP) used to calculate marketing loan benefits dip only slightly below the loan rate in 2007/08 and 2008/09.



Rice Returns

- Part of the increase in rice market prices in 2006/07 has been offset by the reduction in marketing loan benefits and CCPs.
- Payments to rice producers remain much lower throughout the baseline than in the years prior to 2004/05.
- Rising production costs have reduced rice net returns below levels that were common even when rice prices were much lower.



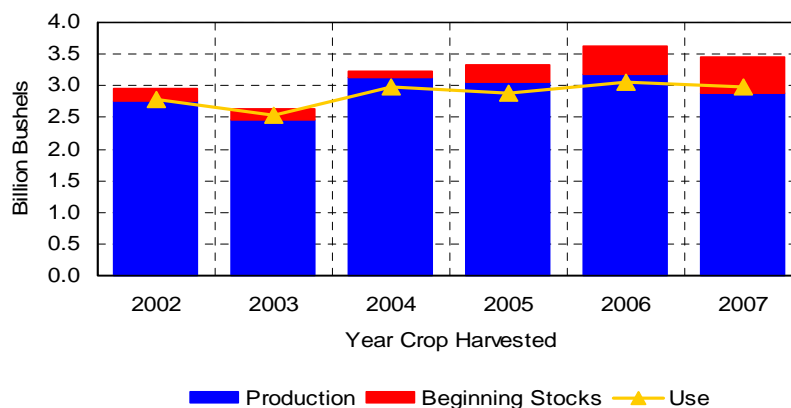
U.S. Rice Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area (Million Acres)											
Base Area	4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51	4.51
Planted Area	2.84	3.15	3.03	2.98	2.99	3.01	3.01	3.02	3.05	3.03	3.03
Harvested Area	2.82	3.13	3.01	2.96	2.97	2.99	2.99	3.00	3.03	3.01	3.01
Yield (Pounds per Acre)											
Actual	6,868	6,997	7,068	7,131	7,192	7,254	7,315	7,368	7,430	7,492	7,555
Program, Direct	4,817	4,817	4,817	4,817	4,817	4,817	4,817	4,817	4,817	4,817	4,817
Program, CCP	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124	5,124
Supply (Million Cwt.)											
Beginning Stocks	43.0	29.9	34.7	37.8	37.0	37.7	37.6	37.8	37.5	38.1	38.5
Production	193.7	219.1	212.8	211.0	213.3	216.8	218.7	221.2	225.1	225.2	227.1
Imports	18.1	18.1	18.5	18.9	19.4	19.8	20.3	20.7	21.2	21.7	22.2
Domestic Use	123.2	127.4	130.3	132.1	134.1	136.1	138.2	140.2	142.4	144.5	146.9
Exports	101.7	104.9	97.8	98.7	97.9	100.5	100.7	102.1	103.3	102.0	101.8
Total Use	224.9	232.3	228.2	230.8	232.0	236.6	238.8	242.3	245.7	246.5	248.7
Ending Stocks	29.9	34.7	37.8	37.0	37.7	37.6	37.8	37.5	38.1	38.5	39.1
CCC Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Stocks	29.9	34.7	37.8	37.0	37.7	37.6	37.8	37.5	38.1	38.5	39.1
Prices and Returns (Dollars)											
Farm Price/cwt	9.86	8.11	7.89	8.21	8.37	8.43	8.63	8.78	8.74	8.80	8.80
Adjusted World Price/cwt.	7.35	6.43	6.15	6.58	6.84	6.94	7.23	7.40	7.35	7.38	7.34
Loan Rate/cwt.	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Average LDP Rate/cwt.	0.00	0.50	0.61	0.44	0.37	0.35	0.27	0.23	0.26	0.25	0.25
Target Price/cwt.	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
CCP Rate/cwt.	0.00	0.41	0.50	0.37	0.33	0.33	0.28	0.24	0.26	0.25	0.23
Direct Payment/cwt.	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
Gross Market Revenue/a.	676.81	567.20	557.53	585.13	601.91	611.56	630.76	647.15	648.78	659.40	664.72
LDP Revenue/a.	0.00	34.88	43.22	31.31	26.29	25.34	19.50	16.90	19.17	18.54	18.97
Variable Expenses/a.	431.23	443.60	454.94	461.41	467.38	473.57	479.05	486.17	494.05	503.37	512.74
Mkt + LDP Net Returns/a.	245.58	158.48	145.81	155.03	160.82	163.33	171.21	177.89	173.91	174.56	170.95
CCP Revenue/Base a.	0.00	18.04	21.57	16.19	14.56	14.34	12.14	10.39	11.13	10.72	9.94
Direct Payment/Base a.	96.22	96.22	96.22	96.22	96.22	96.22	96.22	96.22	96.22	96.22	96.22

Soybeans

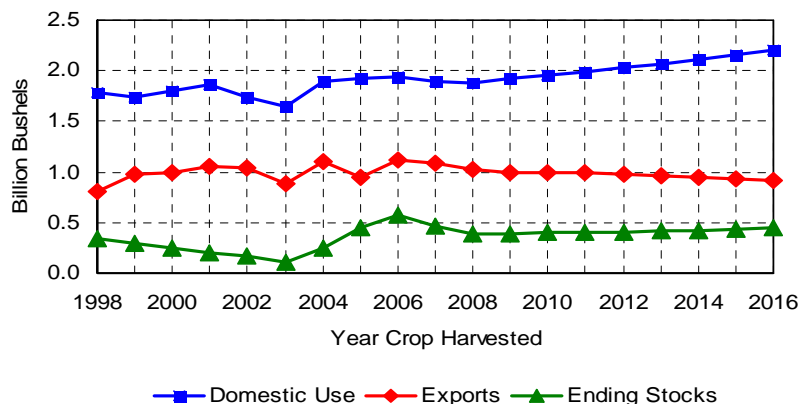
Soybean Supply and Use

- A third straight year of good soybean yields has resulted in record levels of soybean supplies.
- Soybean stocks may be at or near record levels on September 1, 2007, yet soybean prices have risen sharply in recent months.
- One factor behind this unusual behavior of soybean prices is the expectation that reduced soybean acreage in 2007 will tighten supplies.



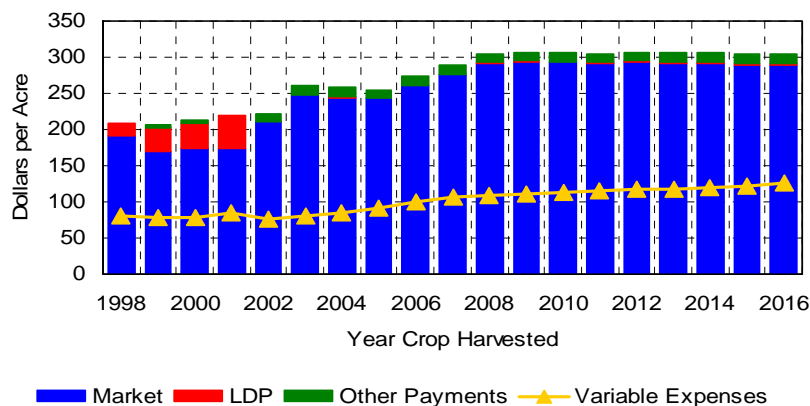
Soybean Utilization and Stocks

- With supplies abundant and demand strong, both soybean exports and crush could set records in 2006/07.
- In response to tighter supplies and higher prices, both exports and crush could decline slightly in 2007/08.
- Growth in U.S. soybean supplies may be limited by strong competition from corn, but projected soybean prices are high enough to encourage increased production in South America.



Soybean Returns

- Rising soybean prices result in increased producer returns between 2006/07 and 2008/09.
- Average soybean returns are high by historical standards throughout the baseline, but production costs rise as well.
- Soybean returns pale in comparison to corn returns. The expected result is a large shift in acreage from soybeans to corn over the next two years.



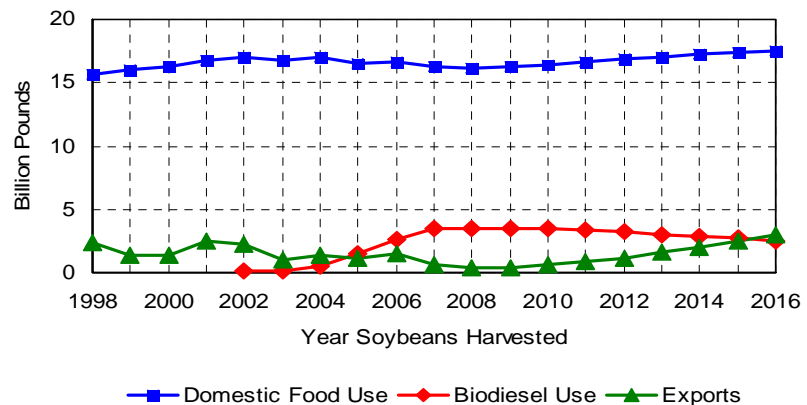
U.S. Soybean Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area (Million Acres)											
Base Area	52.9	52.9	52.9	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0
Planted Area	75.5	70.5	69.2	70.5	70.5	70.3	70.1	70.2	70.0	70.0	69.8
Harvested Area	74.6	69.4	68.1	69.4	69.4	69.2	69.0	69.1	69.0	69.0	68.8
Yield (Bushels per Acre)											
Actual	42.7	41.3	41.7	42.1	42.6	43.0	43.5	43.9	44.4	44.9	45.3
Program, Direct	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8	30.8
Program, CCP	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
Supply (Million Bushels)											
Beginning Stocks	449	574	463	392	396	402	408	411	420	425	433
Production	3,188	2,870	2,838	2,924	2,954	2,981	3,000	3,036	3,063	3,096	3,117
Imports	4	4	4	4	4	4	4	4	4	4	4
Domestic Use	1,947	1,896	1,886	1,926	1,957	1,990	2,026	2,067	2,112	2,156	2,200
Crush	1,781	1,739	1,727	1,762	1,791	1,821	1,855	1,893	1,935	1,976	2,017
Seed, Residual	166	157	159	163	166	169	171	174	177	180	183
Exports	1,120	1,089	1,027	999	994	988	975	963	950	934	912
Total Use	3,068	2,985	2,913	2,924	2,951	2,978	3,002	3,031	3,062	3,091	3,112
Ending Stocks	574	463	392	396	402	408	411	420	425	433	443
CCC Inventory	0	0	0	0	0	0	0	0	0	0	0
Under Loan	61	54	47	49	51	52	52	57	57	60	61
Other Stocks	513	409	345	346	351	356	358	363	368	373	382
Prices and Returns (Dollars)											
Farm Price/bu.	6.10	6.73	7.05	7.03	6.92	6.81	6.79	6.70	6.59	6.48	6.43
IL Processor Price/bu.	6.39	7.00	7.32	7.29	7.19	7.08	7.06	6.97	6.87	6.76	6.71
Loan Rate/bu.	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Average LDP Rate/bu.	0.01	0.01	0.02	0.02	0.03	0.03	0.04	0.05	0.06	0.06	0.06
Target Price/bu.	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80
CCP Rate/bu.	0.00	0.01	0.01	0.01	0.02	0.03	0.03	0.04	0.04	0.05	0.04
Direct Payment/bu.	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Gross Market Revenue/a.	260.74	276.54	292.17	294.32	292.60	291.47	293.39	291.85	290.90	289.03	289.39
LDP Revenue/a.	0.62	0.51	0.85	0.69	1.39	1.57	1.73	2.37	2.88	3.02	2.94
Variable Expenses/a.	99.17	107.27	109.72	111.50	113.13	114.89	116.45	118.32	120.41	122.73	125.05
Mkt + LDP Net Returns/a.	162.19	169.78	183.30	183.51	180.87	178.15	178.67	175.91	173.36	169.33	167.28
CCP Revenue/Base a.	0.00	0.37	0.34	0.36	0.59	0.74	0.85	1.07	1.20	1.36	1.30
Direct Payment/Base a.	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52	11.52
Soybean/Corn Price Ratio	1.93	2.09	2.19	2.18	2.15	2.14	2.15	2.14	2.14	2.12	2.11
Meal Price, 48% Protein/ton	180.16	188.26	185.51	180.45	176.72	173.97	173.15	169.65	164.45	159.48	155.86
Oil Price/cwt.	27.21	30.67	33.49	34.34	34.33	34.08	34.05	34.09	34.34	34.54	34.95
Crushing Margin/bu.	0.99	0.98	0.93	0.93	0.94	0.95	0.95	0.97	0.97	0.98	1.00

Soybean Products

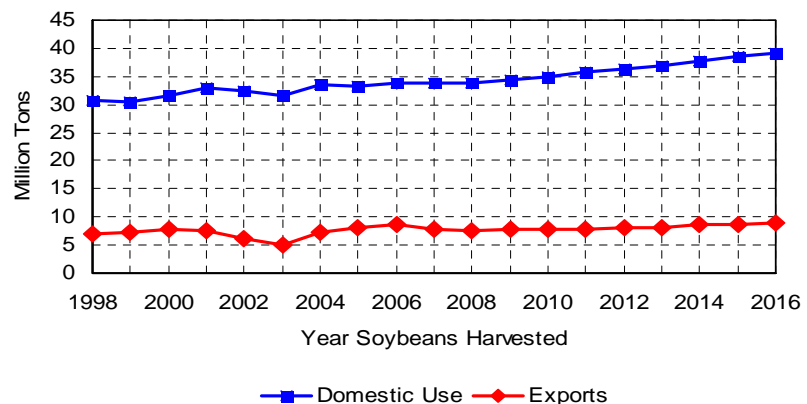
Soybean Oil Utilization

- Higher soybean oil use for the production of biodiesel has resulted in higher prices.
- These higher prices have slowed other domestic soybean oil consumption and reduced U.S. soybean oil exports.
- Baseline soybean oil prices rise to levels that limit the U.S. biodiesel industry.
- In Europe, biodiesel production expands throughout the baseline, resulting in increased U.S. soybean oil exports.



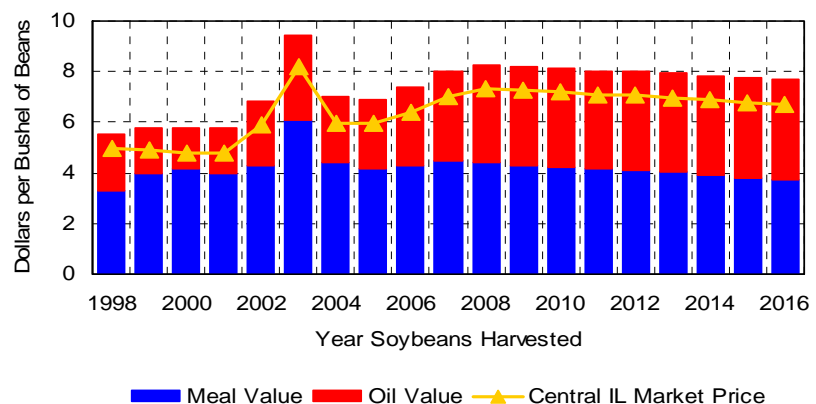
Soybean Meal Utilization

- Soybean meal domestic consumption increases throughout the baseline in response to low meal prices and growth in poultry and livestock production.
- The rate of growth in domestic soybean meal consumption is limited by increasing supplies of coproducts from ethanol production.
- After a slight dip over the next two years, U.S. soybean meal exports increase in response to lower prices.



Soybean Prices and Soybean Product Values

- Increased biofuel production affects relative soybean meal and soybean oil prices.
- Soybean meal prices are weakened by competition from corn coproducts. Soybean oil prices are strengthened by production of biodiesel.
- Soybean meal has historically accounted for most of the value in a bushel of soybeans. The oil share increases and actually exceeds the meal share by 2015/16.



U.S. Soybean Oil Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
(Million Pounds)											
Supply	23,235	22,530	21,896	22,023	22,308	22,647	23,044	23,478	23,947	24,406	24,855
Beginning Stocks	3,019	2,656	2,158	1,880	1,838	1,829	1,842	1,842	1,835	1,825	1,807
Production	20,181	19,839	19,703	20,107	20,435	20,782	21,166	21,600	22,077	22,546	23,013
Imports	35	35	35	35	35	35	35	35	35	35	35
Domestic Use	19,142	19,785	19,662	19,754	19,860	19,985	20,029	20,076	20,095	20,107	20,068
Biodiesel	2,552	3,454	3,525	3,528	3,441	3,356	3,194	3,037	2,862	2,722	2,530
Food and Other	16,589	16,331	16,137	16,226	16,419	16,629	16,834	17,039	17,233	17,385	17,538
Exports	1,438	587	353	431	619	819	1,173	1,567	2,027	2,492	2,998
Total Use	20,579	20,373	20,016	20,185	20,479	20,804	21,202	21,643	22,122	22,599	23,066
Ending Stocks	2,656	2,158	1,880	1,838	1,829	1,842	1,842	1,835	1,825	1,807	1,789
(Cents per Pound)											
Price											
Decatur, IL	27.21	30.67	33.49	34.34	34.33	34.08	34.05	34.09	34.34	34.54	34.95

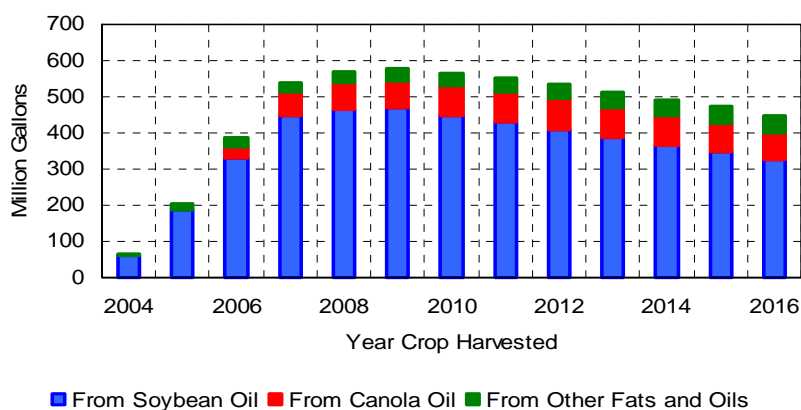
U.S. Soybean Meal Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
(Thousand Tons)											
Supply	42,934	41,885	41,598	42,446	43,134	43,861	44,665	45,573	46,570	47,553	48,532
Beginning Stocks	314	290	288	291	294	297	299	299	302	305	309
Production	42,454	41,430	41,145	41,989	42,674	43,398	44,200	45,108	46,103	47,082	48,057
Imports	166	166	166	166	166	166	166	166	166	166	166
Domestic Use	33,929	33,736	33,829	34,353	35,008	35,734	36,354	37,031	37,684	38,442	39,183
Exports	8,716	7,861	7,478	7,799	7,829	7,828	8,012	8,240	8,581	8,803	9,037
Total Use	42,645	41,598	41,307	42,152	42,837	43,562	44,365	45,271	46,265	47,244	48,220
Ending Stocks	290	288	291	294	297	299	299	302	305	309	312
(Dollars per Ton)											
Price											
Decatur, IL, 48% Protein	180.16	188.26	185.51	180.45	176.72	173.97	173.15	169.65	164.45	159.48	155.86

Biodiesel

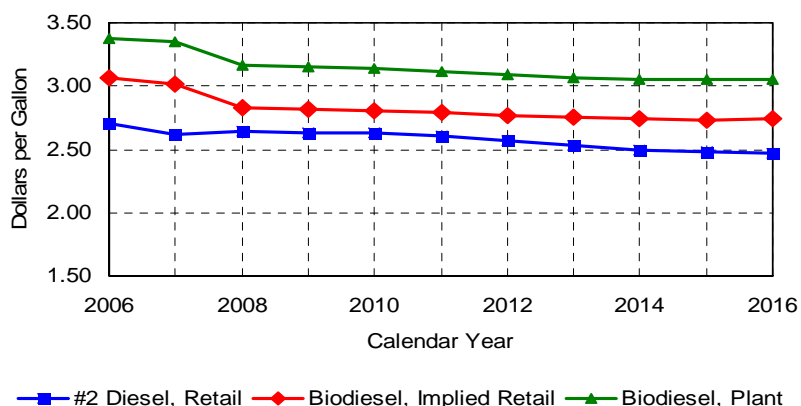
- Biodiesel production and production capacity are expanding rapidly.
- Given projected prices for biodiesel and vegetable oil, future growth prospects for the industry are uncertain.
- These projections assume the \$1.00 per gallon tax credit for biodiesel made from virgin vegetable oil is extended beyond its scheduled expiration at the end of 2008.

Biodiesel Production



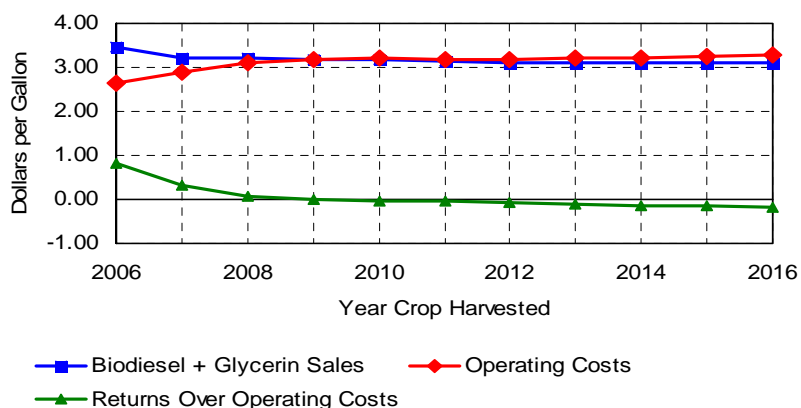
- The \$1.00 per gallon tax credit means biodiesel can sell for less at the retail level than its price at the plant.
- Biodiesel typically has sold at a premium to regular #2 diesel. The baseline assumes the premium would decrease if production increased.
- As with ethanol, uncertainty over future fuel prices means there is great uncertainty regarding biodiesel prices. Figures shown are the average of 500 alternative outcomes.

Biodiesel and Diesel Fuel Prices



- Biodiesel sales account for most of the revenue for a typical biodiesel plant, as glycerin values are low.
- Rising prices for soybean oil and other oils increase production costs.
- Net returns over operating costs are very small or even negative on average beginning in 2008/09.
- If net returns are as low as projected, further investment may be limited and plants may not operate at full capacity.

Biodiesel Costs and Returns



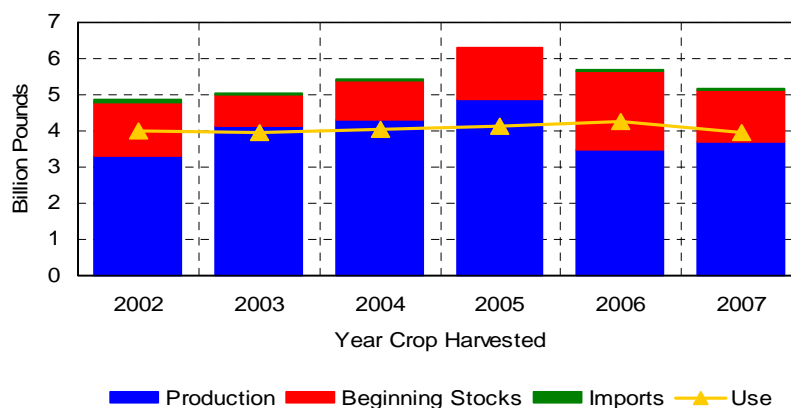
U.S. Biodiesel Sector

Calendar or Crop Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Biodiesel Production											
	(Million Gallons, Oct.-Sep. Year)										
From Soybean Oil	331	449	458	458	447	436	415	394	372	353	329
From Canola Oil	30	62	69	74	80	86	86	85	82	81	79
From Other Fats and Oils	24	29	30	32	34	37	39	41	43	45	47
Total Biodiesel Production	386	539	557	563	561	559	540	521	497	479	455
Fuel Prices											
	(Dollars per Gallon, Calendar Year)										
Biodiesel, Plant	3.37	3.35	3.17	3.15	3.14	3.12	3.09	3.07	3.05	3.05	3.05
#2 Diesel, Refiner Sales	2.02	1.95	1.98	1.96	1.95	1.93	1.89	1.85	1.82	1.79	1.78
#2 Diesel, Retail	2.71	2.62	2.64	2.63	2.63	2.60	2.57	2.53	2.50	2.48	2.47
Tax Credit, Virgin Veg. Oil	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Tax Credit, Other Feedstock	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Biodiesel, Implied Retail	3.06	3.01	2.83	2.82	2.81	2.79	2.77	2.75	2.74	2.73	2.74
Biodiesel/Diesel Retail Ratio	112.9%	115.1%	107.1%	107.2%	107.0%	107.4%	107.7%	108.6%	109.4%	110.2%	110.9%
Costs and Returns											
	(Dollars per Gallon, Oct.-Sep. Year)										
Biodiesel Value	3.40	3.17	3.16	3.14	3.12	3.10	3.07	3.05	3.05	3.05	3.06
Glycerin Value	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Soybean Oil Cost	-2.10	-2.36	-2.58	-2.64	-2.64	-2.62	-2.62	-2.62	-2.64	-2.66	-2.69
Other Operating Costs	-0.53	-0.54	-0.54	-0.55	-0.56	-0.56	-0.57	-0.57	-0.58	-0.58	-0.59
Net Operating Return	0.83	0.32	0.08	0.00	-0.02	-0.04	-0.07	-0.10	-0.13	-0.15	-0.17

Peanuts

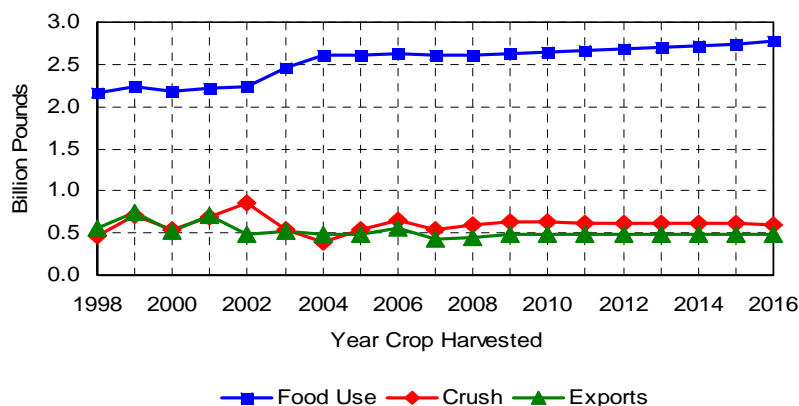
Peanut Supply and Use

- Peanut acreage and production declined sharply in 2006/07.
- With peanut use continuing to increase, the result is a sharp draw-down of peanut stocks.
- With reduced carryout from the 2006 crop, total supplies are likely to remain relatively tight in 2007 even if production increases.



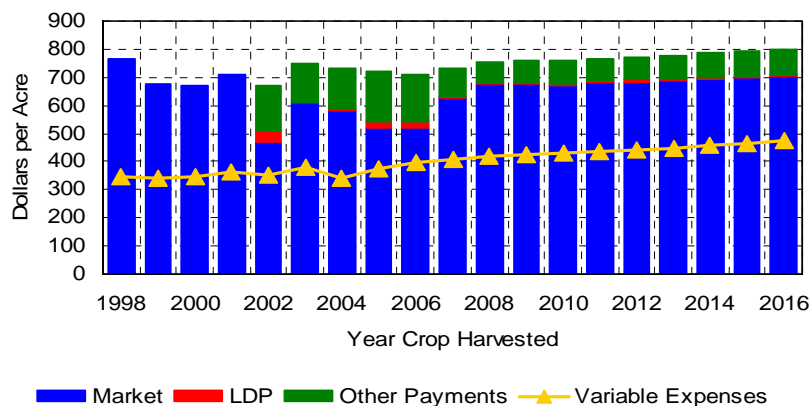
Peanut Utilization

- Domestic food use of peanuts has increased significantly since 2002, partially in response to lower prices.
- Further increases in food use of peanuts are expected to be modest, especially if prices increase.
- Peanut crush and exports can vary a lot from year to year, but little growth is expected in either category.



Peanut Returns

- Peanut prices have not increased as much during 2006/07 as prices for other major crops.
- Large CCPs are expected for the 2006/07 crop. Price recovery in 2007/08 is expected to reduce, but not eliminate CCPs.
- Producer revenues per acre increase slightly with yields over time. Production costs also increase, so average net returns do not change much.



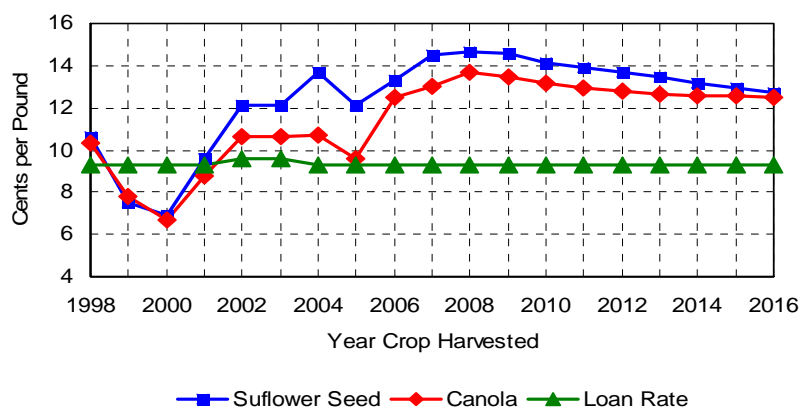
U.S. Peanut Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area (Million Acres)											
Base Area	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.52
Planted Area	1.24	1.27	1.34	1.39	1.38	1.36	1.36	1.35	1.35	1.34	1.34
Harvested Area	1.21	1.24	1.31	1.36	1.35	1.33	1.33	1.32	1.32	1.32	1.31
Yield (Pounds per Acre)											
Actual	2,874	2,977	3,009	3,032	3,065	3,095	3,115	3,135	3,161	3,186	3,217
Program	2,990	2,990	2,990	2,990	2,990	2,990	2,990	2,990	2,990	2,990	2,990
Supply (Million Pounds)											
Beginning Stocks	2,167	1,435	1,205	1,168	1,209	1,228	1,232	1,237	1,242	1,251	1,273
Production	3,474	3,706	3,957	4,132	4,136	4,125	4,141	4,153	4,175	4,195	4,216
Imports	35	35	35	35	35	35	35	35	35	35	35
Domestic Use											
Food	2,633	2,606	2,605	2,624	2,650	2,670	2,687	2,706	2,726	2,745	2,769
Crush	645	549	598	640	633	621	619	613	610	607	603
Seed, Feed, & Residual	413	385	376	378	381	381	382	383	384	385	387
Exports	550	432	451	484	488	484	483	481	481	481	481
Total Use	4,241	3,971	4,029	4,126	4,152	4,156	4,171	4,183	4,201	4,219	4,240
Ending Stocks	1,435	1,205	1,168	1,209	1,228	1,232	1,237	1,242	1,251	1,262	1,273
Prices and Returns (Dollars)											
Farm Price	0.180	0.213	0.227	0.225	0.222	0.221	0.221	0.222	0.222	0.221	0.221
Loan Rate/lb.	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178
Average LDP Rate/lb.	0.008	0.002	0.001	0.001	0.002	0.001	0.002	0.002	0.002	0.002	0.002
Target Price/lb.	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248
CCP Rate/lb.	0.050	0.020	0.011	0.013	0.015	0.015	0.015	0.014	0.015	0.016	0.016
Direct Payment/lb.	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018
Gross Market Revenue/a.	517.29	628.35	677.90	675.88	672.94	679.65	683.76	689.55	694.02	697.82	703.72
LDP Revenue/a.	23.35	5.64	2.45	3.78	5.96	5.20	6.67	5.97	6.95	8.22	9.00
Variable Expenses/a.	396.97	406.74	416.57	423.70	430.01	436.69	442.59	449.69	457.61	466.51	475.45
Mkt + LDP Net Returns/a.	143.67	227.25	263.78	255.96	248.89	248.16	247.84	245.82	243.37	239.53	237.27
CCP Revenue/Base a.	125.80	49.91	27.09	32.73	37.51	37.79	38.01	36.56	38.94	40.70	39.86
Direct Payment/Base a.	45.74	45.74	45.74	45.74	45.74	45.74	45.74	45.74	45.74	45.74	45.74

Other Oilseeds

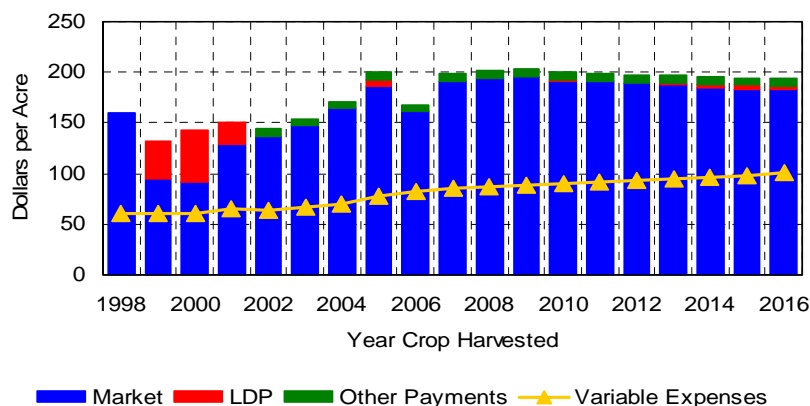
Sunflower Seed and Canola Prices

- Sunflower seed prices are expected to exceed 12 cents per pound for the fifth straight year in 2006/07.
- Canola prices are expected to rebound in 2006/07 due in part to strong global demand for canola oil.
- Sunflower seed and canola prices are expected to follow the same basic pattern as soybeans, increasing over the next couple of years before declining slowly.



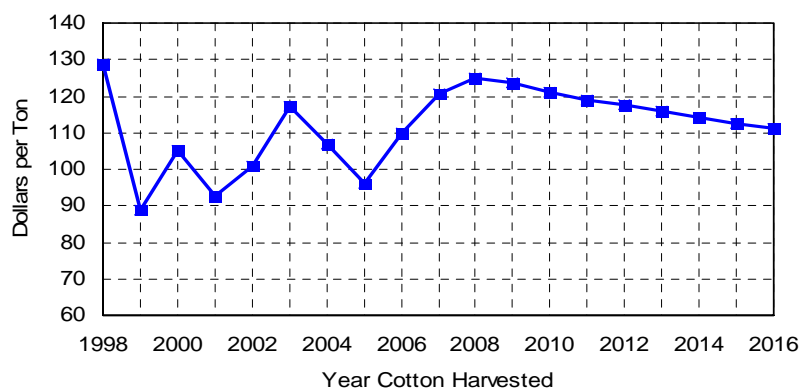
Sunflower Seed Returns

- Sunflower seed returns per acre declined sharply in 2006/07, as yields fell well below the record level of the previous year.
- Higher yields and prices contribute to a rebound in sunflower seed producer returns in 2007/08.
- Canola and sunflower seed producers are eligible for marketing loan benefits, but not for CCPs.



Cottonseed Price

- Higher prices for all oilseeds contribute to an increase in cottonseed prices in 2006/07.
- Further increases are possible in 2007/08, with reduced cottonseed production a contributing factor.
- While strength in vegetable oil markets continues to support cottonseed prices, competition from corn coproducts in feed rations has the opposite effect.



U.S. Sunflower Seed Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area	(Million Acres)										
Planted Area	1.95	2.02	2.08	2.10	2.09	2.04	2.02	1.99	1.98	1.96	1.95
Harvested Area	1.77	1.88	1.93	1.95	1.94	1.89	1.87	1.85	1.83	1.82	1.80
Yield	(Pounds per Acre)										
	1,211	1,320	1,332	1,348	1,359	1,373	1,389	1,403	1,415	1,429	1,442
Supply and Use	(Million Pounds)										
Production	2,144	2,487	2,573	2,632	2,642	2,605	2,606	2,599	2,592	2,600	2,606
Imports	161	161	161	161	161	161	161	161	161	161	161
Domestic Use	2,470	2,370	2,394	2,441	2,490	2,516	2,552	2,590	2,623	2,664	2,705
Exports	331	279	330	345	305	250	211	167	126	92	58
Ending Stocks	289	288	298	304	312	312	316	320	324	329	334
Prices and Returns	(Dollars)										
Farm Price/lb.	0.133	0.145	0.146	0.145	0.142	0.139	0.137	0.134	0.132	0.129	0.127
Gross Market Revenue/a.	161.10	190.24	194.17	195.29	191.61	190.41	188.93	187.39	185.39	183.64	182.67
LDP Revenue/a.	0.00	0.38	0.39	0.33	0.75	0.80	1.22	2.17	2.66	3.49	3.67
Variable Expenses/a.	82.82	85.54	87.68	89.17	90.52	91.98	93.26	94.78	96.46	98.34	100.23
CCP Revenue/Base a.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct Payment/Base a.	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37	7.37

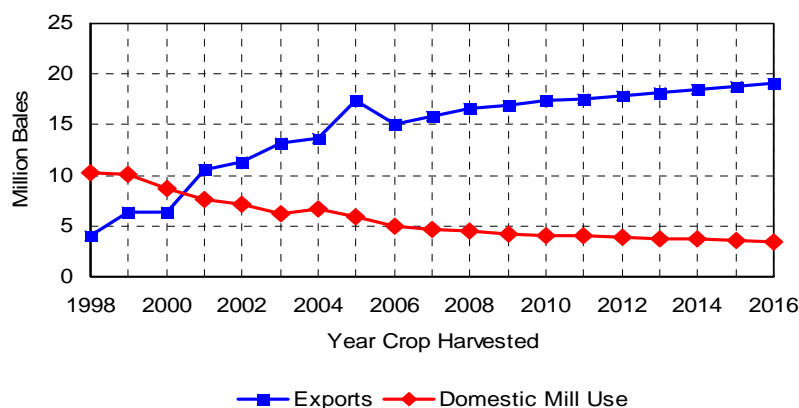
U.S. Other Oilseeds

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Production	(Thousand Tons)										
Cottonseed	7,632	7,335	7,471	7,630	7,735	7,826	7,904	7,931	8,016	8,058	8,177
	(Million Pounds)										
Canola	1,394	1,831	1,960	2,158	2,188	2,204	2,219	2,246	2,286	2,332	2,379
Prices	(Dollars per Ton)										
Cottonseed	110.06	120.44	124.75	123.47	121.05	118.79	117.60	116.11	114.06	112.45	111.01
	(Cents per Pound)										
Canola	12.50	13.03	13.72	13.44	13.16	12.92	12.76	12.65	12.60	12.55	12.47

Upland Cotton

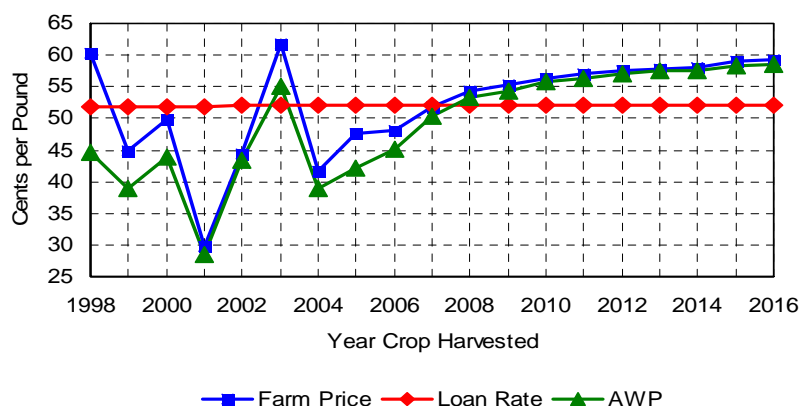
Upland Cotton Use

- Domestic mill use of cotton has resumed its long-term decline.
- After growing every year since 2000/01, U.S. cotton exports are expected to decline in 2006/07. Based on more recent data, the reduction may be even larger than indicated here.
- Projected cotton exports increase at a steady pace, but do not reach the 2005/06 level again until 2010/11.



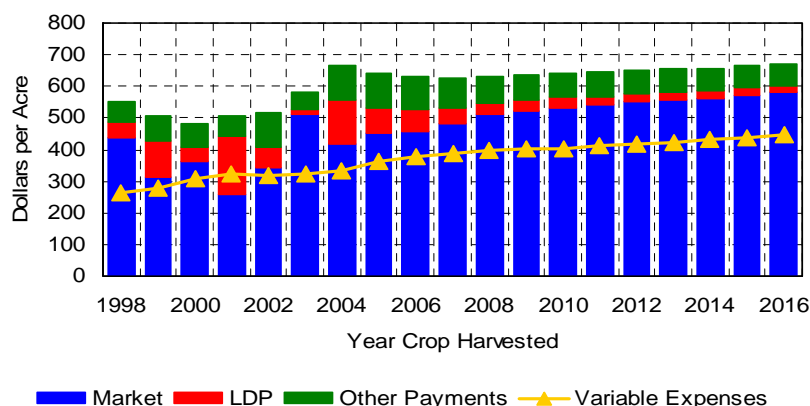
Upland Cotton Prices

- Elimination of the Step 2 program at the end of the 2005/06 marketing year leads to a smaller gap between the U.S. farm price and the adjusted world price (AWP) used to calculate marketing loan benefits.
- The average AWP remains below the loan rate until 2008/09. In later years, the probability of marketing loan benefits in any given year declines as average projected prices increase.



Upland Cotton Returns

- Unlike most other crops, upland cotton producer net returns decline in 2006/07. Slightly lower yields, lower government payments, and increased production costs all contribute.
- Producers are expected to reduce 2007 cotton acreage in response to weak relative returns.
- In 2007/08 and later years, rising cotton prices increase cotton producer returns from the market, but marketing loan benefits and CCPs decline.



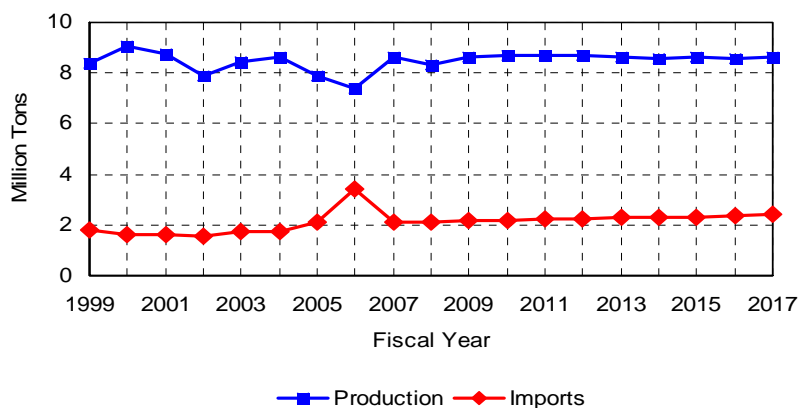
U.S. Upland Cotton Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area											
	(Million Acres)										
Base Area	18.70	18.70	18.71	18.72	18.73	18.73	18.73	18.73	18.73	18.73	18.73
Planted Area	14.95	13.40	13.55	13.75	13.83	13.89	13.90	13.87	13.90	13.88	13.98
Harvested Area	12.41	12.14	12.30	12.46	12.52	12.57	12.59	12.55	12.59	12.56	12.64
Yield											
	(Pounds per Acre)										
Actual	811	794	799	806	814	822	830	836	844	851	860
Program, Direct	601	601	601	601	601	601	601	601	601	601	601
Program, CCP	636	636	636	636	636	636	636	636	636	636	636
Supply											
	(Million Bales)										
Beginning Stocks	5.98	6.95	6.47	6.00	5.73	5.48	5.48	5.52	5.56	5.61	5.60
Production	20.97	20.10	20.49	20.95	21.27	21.55	21.79	21.89	22.15	22.30	22.65
Imports	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Domestic Use											
Mill Use	4.98	4.73	4.43	4.23	4.10	3.96	3.84	3.75	3.66	3.58	3.47
Exports											
	15.04	15.85	16.54	17.00	17.44	17.60	17.92	18.11	18.45	18.74	19.11
Total Use											
	20.02	20.58	20.97	21.23	21.54	21.56	21.76	21.87	22.11	22.32	22.58
Unaccounted											
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Stocks											
CCC Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Stocks	6.95	6.47	6.00	5.73	5.48	5.48	5.52	5.56	5.61	5.60	5.69
Prices and Returns											
	(Dollars)										
Farm Price/lb.	0.481	0.518	0.544	0.554	0.564	0.569	0.574	0.578	0.581	0.589	0.593
Cotlook A Index/lb.	0.609	0.659	0.689	0.699	0.714	0.719	0.726	0.730	0.731	0.739	0.741
Adjusted World Price/lb.	0.451	0.504	0.534	0.544	0.559	0.564	0.571	0.575	0.576	0.584	0.586
Loan Rate/lb.	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520	0.520
Average LDP Rate/lb.	0.082	0.058	0.045	0.041	0.038	0.034	0.030	0.030	0.027	0.027	0.026
Target Price/lb.	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724	0.724
CCP Rate/lb.	0.137	0.112	0.095	0.088	0.081	0.079	0.075	0.073	0.072	0.066	0.065
Direct Payment/lb.	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067
Gross Market Revenue/a.	458.18	482.64	509.38	521.12	533.05	540.20	549.15	555.66	561.88	572.92	580.50
LDP Revenue/a.	66.23	46.72	36.34	33.83	30.94	28.70	25.18	25.41	23.32	23.28	22.77
Variable Expenses/a.	378.31	386.79	395.13	400.12	404.78	410.77	416.06	422.75	430.19	438.26	446.22
Mkt + LDP Net Returns/a.	146.11	142.57	150.59	154.83	159.21	158.14	158.26	158.32	155.01	157.94	157.05
CCP Revenue/Base a.	74.22	60.44	51.35	47.75	43.96	42.52	40.67	39.42	38.71	35.69	34.91
Direct Payment/Base a.	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.10

Sugar

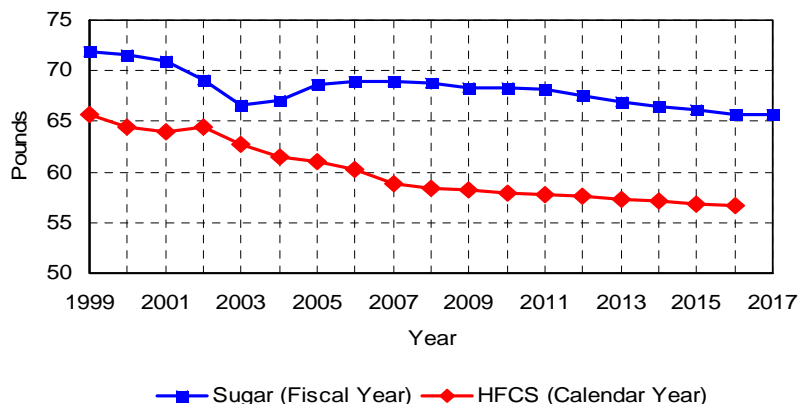
Sugar Production and Imports

- Sugar production has recovered in FY 2007 (Oct. 2006-Sep. 2007) from the hurricane-affected levels of FY 2006.
- The tariff rate quota (TRQ) for sugar was temporarily increased in FY 2006.
- After North American Free Trade Agreement (NAFTA) tariff cuts are fully implemented in 2008, some increase in sugar imports from Mexico is projected. Some expect a larger increase in Mexican imports than incorporated here.



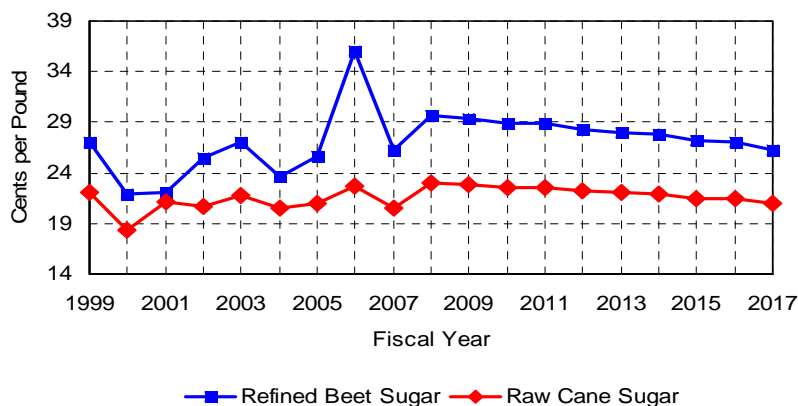
Sugar and HFCS Domestic Deliveries per Capita

- After declining for many years, per capita sugar deliveries increased in FY 2005 and FY 2006. The baseline assumes a slow decline in per capita sugar consumption will resume.
- HFCS consumption per capita has declined since 2002, and further declines are projected.
- Even small deviations from the projected trends in sugar and sweetener consumption could have significant impacts on the long-run outlook.



Sugar Prices

- Sugar prices have declined sharply in FY 2007 in response to increased production.
- Average prices increase in FY 2008 in response to tighter supplies, but decline in later years.
- Production and imports grow slightly more rapidly than domestic consumption, resulting in some probability of government stock accumulation.



U.S. Sugar Supply and Utilization

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Area (Million Acres)											
Sugar Cane Harvested	0.856	0.858	0.876	0.874	0.856	0.846	0.830	0.812	0.812	0.792	0.794
Sugar Beet Planted	1.367	1.327	1.348	1.337	1.334	1.321	1.302	1.294	1.290	1.271	1.269
Sugar Beet Harvested	1.304	1.274	1.295	1.285	1.282	1.270	1.251	1.243	1.240	1.221	1.219
Yield (Tons per Acre)											
Cane Sugar	4.13	4.17	4.25	4.30	4.33	4.36	4.38	4.41	4.43	4.45	4.47
Beet Sugar	3.89	3.72	3.78	3.83	3.88	3.93	3.97	4.02	4.07	4.12	4.17
Supply (Thousand Tons)											
Beginning Stocks	12,416	12,238	12,332	12,489	12,575	12,639	12,671	12,699	12,819	12,854	13,006
Production	1,698	1,808	1,560	1,634	1,689	1,721	1,777	1,811	1,845	1,910	1,933
Cane Sugar	8,615	8,325	8,616	8,677	8,672	8,675	8,612	8,580	8,647	8,561	8,640
Beet Sugar	3,537	3,581	3,728	3,763	3,705	3,691	3,640	3,578	3,598	3,525	3,550
Imports	5,078	4,744	4,889	4,914	4,967	4,984	4,972	5,002	5,049	5,037	5,090
	2,103	2,105	2,156	2,178	2,214	2,243	2,282	2,308	2,327	2,383	2,432
Total Use											
Domestic Deliveries	10,608	10,678	10,699	10,800	10,854	10,862	10,860	10,854	10,910	10,921	11,002
Exports	10,411	10,492	10,507	10,606	10,659	10,666	10,663	10,656	10,711	10,721	10,801
Residual	197	186	192	194	195	196	197	198	199	200	201
	0	0	0	0	0	0	0	0	0	0	0
Ending Stocks											
CCC Inventory	1,808	1,560	1,634	1,689	1,721	1,777	1,811	1,845	1,910	1,933	2,004
Other Stocks	0	1	0	1	1	2	6	11	21	34	53
	1,808	1,559	1,633	1,688	1,719	1,775	1,805	1,834	1,888	1,900	1,951
Prices (Cents per Pound)											
N.Y. Spot Raw Sugar	20.55	22.96	22.78	22.54	22.55	22.18	22.04	21.92	21.49	21.47	20.98
Refined Beet Sugar	26.34	29.63	29.32	28.92	28.88	28.30	28.05	27.82	27.17	27.08	26.34
Cane Loan Rate	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Beet Loan Rate	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90	22.90

Land Use

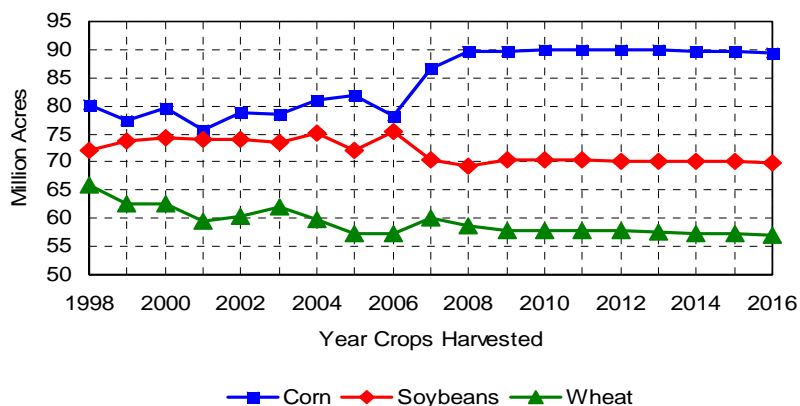
Corn, Soybean, and Wheat Planted Area

■ High corn prices, due to the growing ethanol industry, are expected to result in major shifts in acreage in 2007 and 2008.

■ Corn planted area in 2007 is estimated at 86.7 million acres, the most since 1949. A further increase to almost 90 million acres is projected for 2008.

■ Soybean area falls to 70.5 million acres in 2007 and below 70 million acres in 2008 before a modest rebound.

■ Wheat area increases in 2007, but declines in subsequent years.

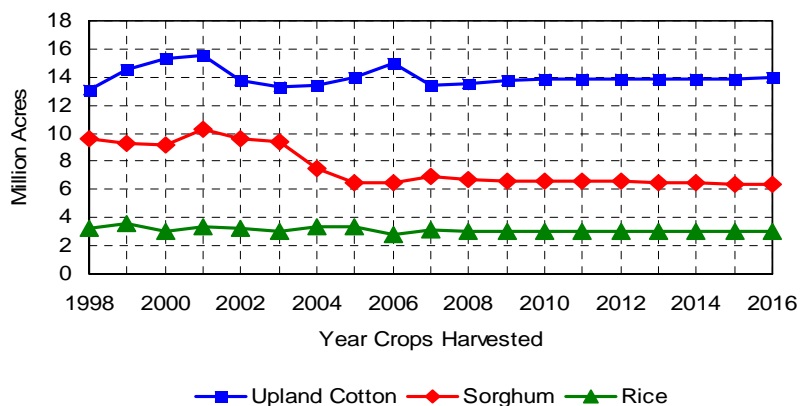


Upland Cotton, Sorghum, and Rice Planted Area

■ Weak returns relative to other crops result in a decline in upland cotton area planted in 2007 to 13.4 million acres.

■ High feed grain prices result in a modest increase in sorghum acreage in 2007.

■ After a sharp decline in 2006, high rice prices result in some recovery in rice planted area in 2007, but rice acreage remains well below the levels of 2004 and 2005.

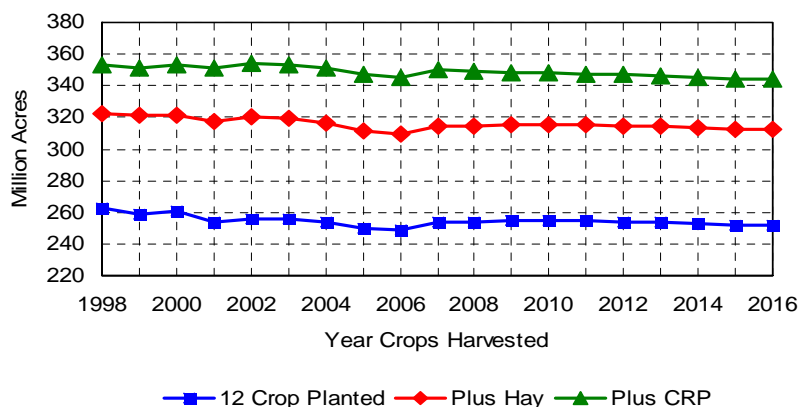


Land Use for Major Crops and CRP

■ Because of increased returns to many crops, the total area planted to 12 major crops increases by almost 5 million acres in 2007.

■ Even with the increase, the 2007 area planted remains slightly below the 2004 level.

■ Conservation Reserve Program (CRP) area is projected to decline over the next several years as contracts expire, but then levels off at about 32 million acres.



U.S. Land Use for Major Crops and the Conservation Reserve

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
Planted Area	(Million Acres)										
Corn	78.33	86.69	89.73	89.77	90.01	90.12	90.15	89.96	89.81	89.57	89.43
Soybeans	75.52	70.53	69.24	70.51	70.53	70.34	70.08	70.17	70.03	70.05	69.84
Wheat	57.34	60.14	58.59	57.77	57.80	57.74	57.69	57.58	57.41	57.27	57.09
Upland Cotton	14.95	13.40	13.55	13.75	13.83	13.89	13.90	13.87	13.90	13.88	13.98
Sorghum	6.52	6.92	6.69	6.63	6.62	6.58	6.55	6.51	6.46	6.41	6.37
Barley	3.45	3.24	3.52	3.48	3.37	3.27	3.18	3.10	3.02	2.94	2.83
Oats	4.17	3.89	3.83	3.82	3.80	3.77	3.76	3.72	3.70	3.69	3.67
Rice	2.84	3.15	3.03	2.98	2.99	3.01	3.01	3.02	3.05	3.03	3.03
Sunflowers	1.95	2.02	2.08	2.10	2.09	2.04	2.02	1.99	1.98	1.96	1.95
Peanuts	1.24	1.27	1.34	1.39	1.38	1.36	1.36	1.35	1.35	1.34	1.34
Sugar Beets	1.37	1.33	1.35	1.34	1.33	1.32	1.30	1.29	1.29	1.27	1.27
Sugar Cane (Harvested)	0.86	0.86	0.88	0.87	0.86	0.85	0.83	0.81	0.81	0.79	0.79
12 Crop Planted Area	248.54	253.44	253.84	254.43	254.61	254.29	253.83	253.39	252.81	252.20	251.58
Hay Harvested Area	60.81	60.59	61.04	61.08	61.12	61.10	61.01	60.90	60.75	60.58	60.43
12 Crops + Hay	309.34	314.03	314.88	315.51	315.72	315.39	314.84	314.28	313.56	312.77	312.01
Conservation Reserve	36.02	36.00	34.49	32.99	31.99	31.98	31.98	31.97	31.94	31.92	31.89
12 Crops + Hay + CRP	345.36	350.03	349.37	348.49	347.71	347.38	346.82	346.25	345.51	344.69	343.91

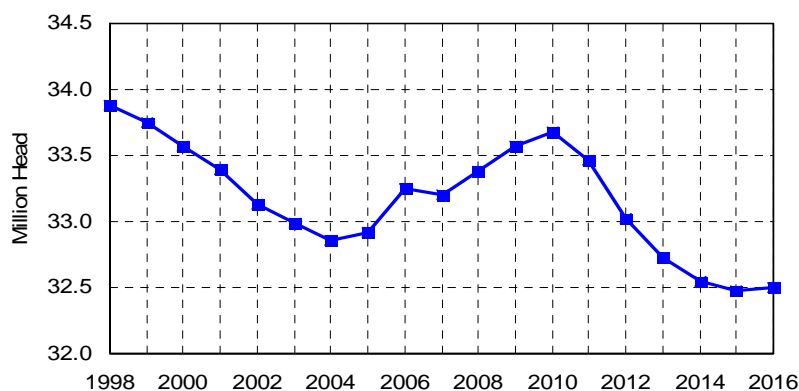
Beef

Beef Cow Inventory

▪ The 2007 USDA Cattle report confirmed that poor pasture conditions across much of Texas, Oklahoma, Kansas and Missouri led to a decline in beef cow numbers.

▪ If pasture conditions had been normal, the attractive returns received by most cow-calf producers since 2003 would have generated growth during 2006 that would have increased 2007 inventory.

▪ Assuming pasture recovery, the cattle herd will grow modestly for the next few years before returns turn negative.

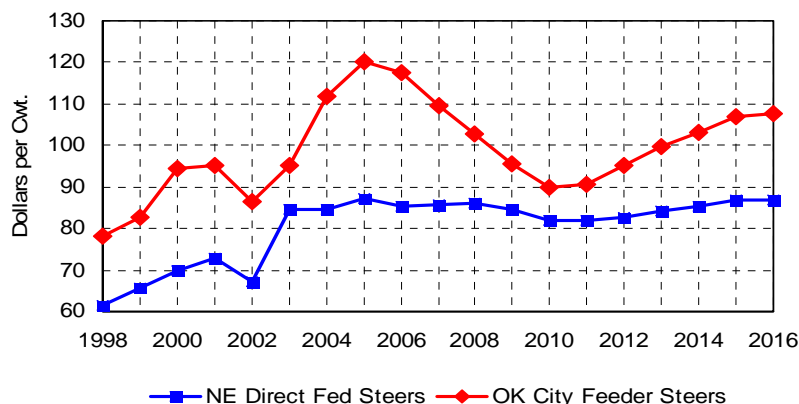


Cattle Prices

▪ As more expensive corn has increased the cost of feeding cattle, feedlots have bid down feeder cattle prices. This trend continues in the baseline as corn prices remain high.

▪ Fed steer prices have remained near \$85 per cwt. since 2003. Prices will show modest declines as beef production increases for the next few years.

▪ Slower growth in pork and chicken production and increased beef exports will moderate near term price declines and allow for higher prices longer term.

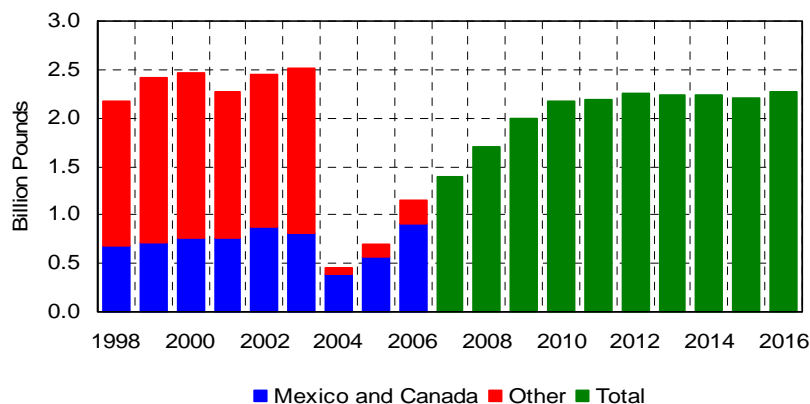


Beef Exports

▪ Little progress was made for U.S. beef exports to Japan and Korea in 2006. It is expected to continue to be a struggle for the U.S. to regain a strong presence in these markets.

▪ From 2000-2003, exports to Japan and Korea totaled nearly 1.5 billion pounds per year.

▪ Exports to Canada and Mexico grew sharply in 2006, providing nearly all of the growth in total U.S. beef exports.



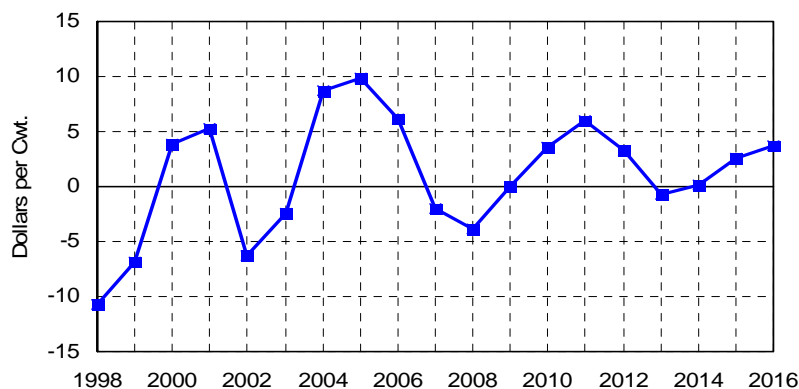
U.S. Cattle Sector

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Million Head)											
Beef Cows (Jan. 1)	33.3	33.2	33.4	33.6	33.7	33.5	33.0	32.7	32.6	32.5	32.5
Dairy Cows (Jan. 1)	9.1	9.1	9.1	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.9
Cattle and Calves (Jan. 1)	97.1	97.7	98.6	99.3	99.4	98.9	97.9	96.9	96.1	95.7	95.7
Calf Crop	37.9	38.1	38.3	38.6	38.5	38.2	37.9	37.7	37.6	37.5	37.6
Calf Death Loss	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2
Calf Slaughter	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Beef Cow Slaughter	3.0	2.9	3.0	3.1	3.3	3.3	3.1	2.9	2.8	2.8	2.7
Dairy Cow Slaughter	2.4	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Bull Slaughter	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Steer and Heifer Slaughter	27.8	28.1	28.4	29.1	29.6	29.8	29.8	29.6	29.3	29.0	29.1
Total Slaughter	34.5	35.0	35.4	36.2	36.9	37.1	36.9	36.4	36.1	35.7	35.8
Cattle Imports	2.3	2.5	2.6	2.6	2.6	2.6	2.7	2.7	2.8	2.8	2.9
Cattle Exports	0.1	0.2	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Cattle Death Loss	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.3
Residual	-0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Cattle and Calves (Dec. 31)	97.8	98.6	99.3	99.4	98.9	97.9	96.8	96.1	95.7	95.7	95.8
Cattle on Feed (Jan. 1)	14.1	14.3	14.2	14.4	14.4	14.5	14.6	14.6	14.6	14.5	14.5
(Million Pounds)											
Supply											
Beginning Stocks	571	625	634	646	666	683	686	681	674	669	661
Imports	3,073	3,296	3,359	3,380	3,349	3,409	3,523	3,625	3,721	3,823	3,839
Production	26,177	26,541	26,997	27,795	28,447	28,649	28,582	28,396	28,290	28,088	28,362
Total	29,821	30,462	30,990	31,821	32,463	32,742	32,791	32,703	32,685	32,580	32,862
Disappearance											
Domestic Use	28,046	28,426	28,644	29,153	29,606	29,865	29,859	29,792	29,782	29,708	29,922
Exports	1,150	1,402	1,700	2,001	2,174	2,191	2,251	2,237	2,234	2,210	2,271
Total	29,196	29,828	30,344	31,155	31,780	32,056	32,110	32,029	32,016	31,919	32,193
Ending Stocks	625	634	646	666	683	686	681	674	669	661	668
(Pounds)											
Per Capita Consumption											
Carcass Weight	93.6	94.0	93.9	94.8	95.4	95.4	94.6	93.6	92.8	91.8	91.7
Retail Weight	65.5	65.8	65.7	66.3	66.8	66.8	66.2	65.5	64.9	64.2	64.2
Change	0.2%	0.5%	-0.1%	0.9%	0.7%	0.0%	-0.9%	-1.1%	-0.9%	-1.1%	-0.1%
(Dollars Per Cwt.)											
Prices											
1100 - 1300 #, Nebraska											
Direct Steers	85.41	85.87	86.13	84.41	82.12	82.00	82.77	84.22	85.20	86.74	86.75
Change	-2.1%	0.5%	0.3%	-2.0%	-2.7%	-0.1%	0.9%	1.8%	1.2%	1.8%	0.0%
600 - 650 #, Oklahoma City											
Feeder Steers	117.59	109.66	102.57	95.72	90.02	90.70	95.10	99.64	103.12	107.01	107.75
Change	-2.0%	-6.7%	-6.5%	-6.7%	-6.0%	0.7%	4.9%	4.8%	3.5%	3.8%	0.7%
Utility Cows, Sioux Falls	47.73	48.13	48.29	47.09	45.52	45.51	46.69	48.36	49.17	50.10	50.19
Change	-12.2%	0.8%	0.3%	-2.5%	-3.3%	0.0%	2.6%	3.6%	1.7%	1.9%	0.2%
Boxed Beef Cutout	146.88	147.90	148.77	147.68	145.45	145.17	146.47	148.20	149.87	152.19	151.79
Change	0.8%	0.7%	0.6%	-0.7%	-1.5%	-0.2%	0.9%	1.2%	1.1%	1.5%	-0.3%
(Dollars Per Pound)											
Beef Retail	3.97	4.07	4.12	4.12	4.11	4.15	4.23	4.31	4.40	4.49	4.50
Change	-2.9%	2.4%	1.3%	-0.1%	-0.3%	1.2%	1.9%	1.9%	2.0%	2.2%	0.2%
(Dollars Per Cow)											
Cow-Calf Returns											
Receipts	567.90	535.02	505.40	475.09	449.12	451.93	471.94	493.15	508.86	526.37	529.62
Feed Expenses	135.98	135.16	134.11	134.53	135.14	134.82	133.34	132.21	130.46	127.84	127.23
Non-feed Expenses	353.99	355.00	360.39	364.79	364.45	366.12	369.24	373.62	377.78	382.40	384.77
Net Returns	77.93	44.86	10.91	-24.24	-50.47	-49.01	-30.63	-12.68	0.62	16.13	17.62

Pork

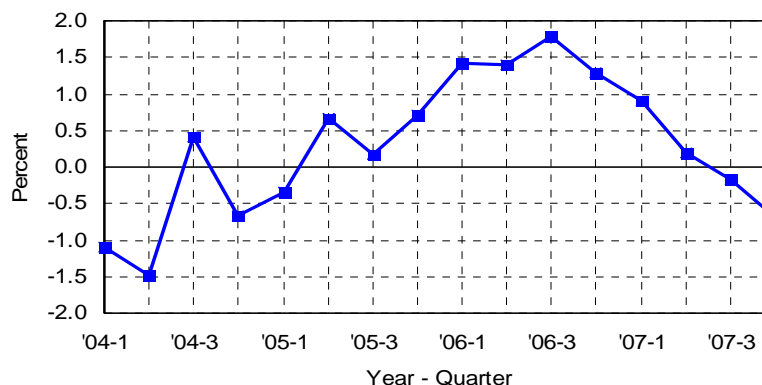
Farrow-Finish Net Returns

- Three consecutive years of positive returns for hog producers will come to an end in 2007.
- Higher corn costs are expected to increase the cost of producing a pound of pork by nearly 6 cents in 2007, a 16 percent increase in total costs.
- Recent increases in hog slaughter capacity have improved the demand for live hogs. This trend is likely to continue given recent announcements regarding new and expanded hog slaughter plants.



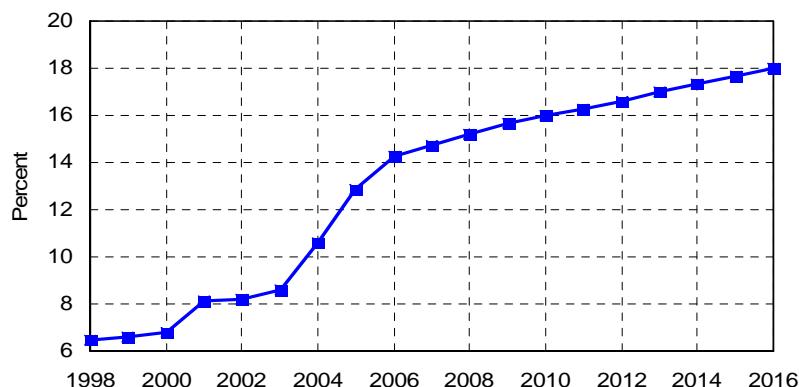
Sow Inventory, Change Relative to a Year Ago

- Sow inventories have been above year ago levels for eight consecutive quarters.
- Producers are expected to react to higher corn costs by reducing the size of the breeding herd by the end of 2007.
- Provided exports remain strong and domestic pork demand declines seen this year do not continue, large reductions in sow numbers and pork production will not occur.



Percentage of Pork Production Exported

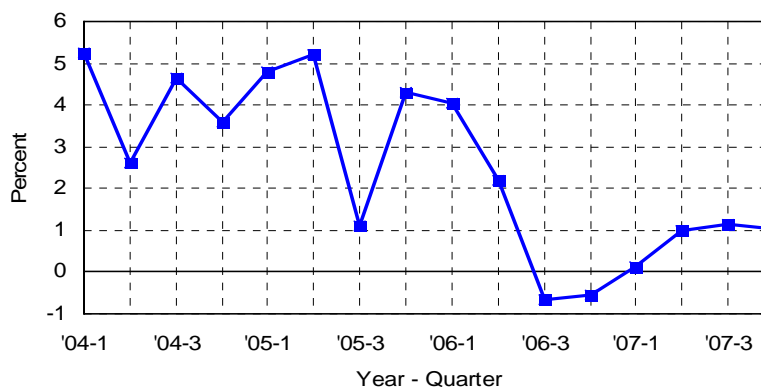
- Over 14 percent of 2006 pork production was exported, compared to less than nine percent as recently as 2003.
- As pork production growth slows due to higher corn prices, domestic pork supplies will be reduced as international demand for pork remains strong.
- The Canadian hog industry is struggling after years of strong growth providing more opportunity for the U.S. in world markets.



Poultry

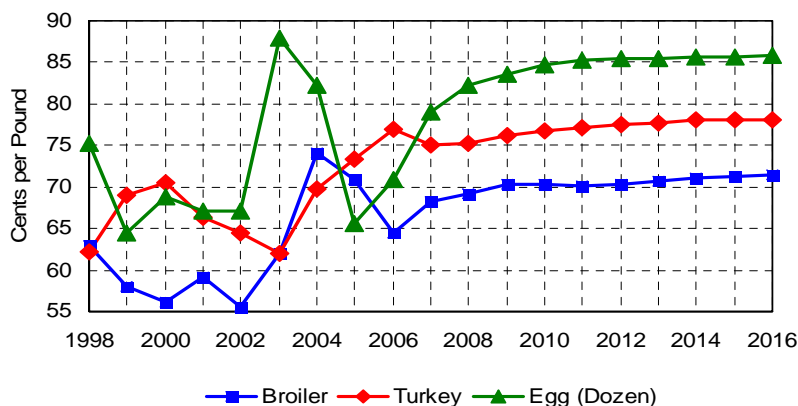
Change in Broiler Production

- Lower chicken prices in the first half of 2006 led to a decline in production relative to a year ago for the final two quarters of 2006, a rarity for the industry.
- Though output prices have recovered, producers are showing caution in the face of higher feed costs, limiting production growth in 2007.
- Broiler production is expected to grow by an average of 1.6 percent annually from 2007-2016, relative to 3.1 percent growth from 1997-2006.



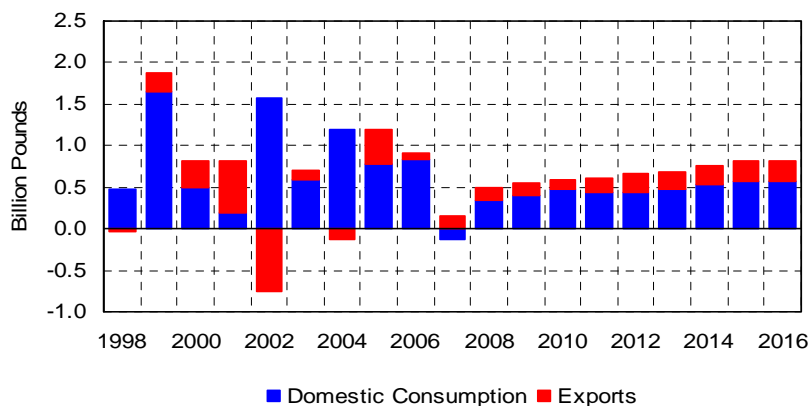
Wholesale Poultry Prices

- Strong turkey demand led to record high prices for that industry in 2006.
- Wholesale prices for all poultry products will remain high by historical standards, as meat supplies in general are projected to be tighter than in recent years.
- Much of the increase in output prices will be offset by higher feed costs for producers.



Broiler Meat Utilization Change

- Domestic consumption of chicken is expected to decline this year for the first time since 1973.
- Broiler exports posted growth of only 1.3 percent in 2006, and only modest gains are expected for the next decade.
- Domestic demand strength for chicken suffered the most of any meat in 2006. It will be crucial for the industry to halt this decline in the face of weaker international chicken demand.



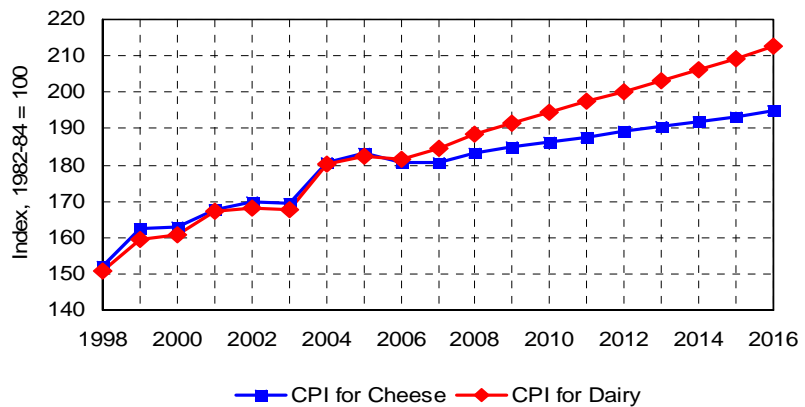
U.S. Poultry Supply and Use

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Broiler											
	(Million Pounds)										
Production	35,416	35,705	36,186	36,725	37,321	37,936	38,594	39,287	40,050	40,862	41,669
Domestic Use	30,450	30,311	30,661	31,065	31,539	31,985	32,431	32,915	33,456	34,020	34,599
Exports	5,260	5,417	5,562	5,713	5,835	6,003	6,217	6,426	6,647	6,894	7,125
Ending Stocks	675	700	713	712	714	717	721	728	736	748	760
Turkey											
Production	5,613	5,737	5,783	5,840	5,902	5,964	6,030	6,096	6,166	6,239	6,308
Domestic Use	5,060	5,135	5,196	5,239	5,289	5,336	5,379	5,422	5,469	5,516	5,560
Exports	546	585	597	614	626	642	665	688	713	739	765
Ending Stocks	225	253	256	258	260	263	266	269	272	276	280
Eggs											
	(Million Dozens)										
Production	7,569	7,616	7,685	7,750	7,820	7,895	7,973	8,048	8,126	8,205	8,287
Domestic Use	6,387	6,436	6,516	6,580	6,648	6,720	6,793	6,862	6,931	7,002	7,075
Hatching Egg	991	982	973	971	970	971	975	979	985	992	998
Exports	202	203	205	207	209	211	213	215	218	220	222
Ending Stocks	13	16	16	16	16	16	16	16	16	16	16
Prices											
	(Cents Per Pound)										
12 City Wholesale Broiler	64.40	68.26	69.19	70.25	70.27	70.11	70.36	70.77	71.05	71.21	71.39
Bnls. Breast Whlsle., NE	111.66	122.74	127.64	132.63	136.63	139.94	143.23	145.88	148.63	150.82	152.01
Whole Leg Whsle., NE	38.47	41.51	43.36	45.13	46.44	47.82	49.14	50.39	51.65	52.80	53.49
Broiler Retail	157.23	165.10	170.57	175.00	178.19	181.10	184.10	186.78	189.64	192.18	194.00
East. Region Whlsle. Turkey	77.04	75.04	75.32	76.18	76.74	77.07	77.60	77.76	78.09	78.11	78.15
Turkey Retail	110.98	111.16	112.91	115.62	117.97	119.67	121.16	122.23	123.60	124.65	125.65
	(Cents Per Dozen)										
NY Grade A Lg Egg	70.97	79.00	82.27	83.66	84.74	85.35	85.39	85.54	85.63	85.60	85.85
Shell Egg Retail	129.23	139.13	145.24	148.99	151.85	154.30	155.70	156.95	158.40	159.80	161.53
Per Capita Consumption											
	(Pounds)										
Broiler	101.6	100.3	100.5	101.0	101.6	102.2	102.7	103.4	104.2	105.1	106.0
Turkey	16.9	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
	(Eggs)										
Eggs	255.8	255.5	256.4	256.7	257.1	257.7	258.3	258.7	259.1	259.5	260.1
Output-Feed Price Ratios											
	(Ratio)										
Broiler	6.2	5.6	5.6	5.8	5.9	5.9	6.0	6.1	6.2	6.3	6.4
Turkey	7.9	6.4	6.3	6.5	6.6	6.7	6.9	6.9	7.1	7.2	7.3
Eggs	7.4	7.0	7.3	7.6	7.8	8.0	8.1	8.1	8.2	8.3	8.4

Dairy Prices

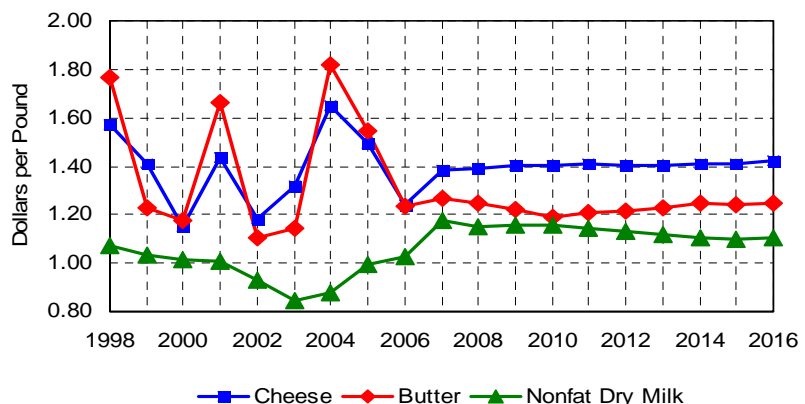
Dairy Consumer Prices

- A second consecutive year of above average milk production growth resulted in retail price drops for most dairy products in 2006.
- Milk production growth has begun to slow, and tighter milk supplies for much of 2007 will lead to higher consumer prices this year.
- Cheese demand strength is crucial for the dairy industry, as nearly 40 percent of the milk supply is used for cheese.



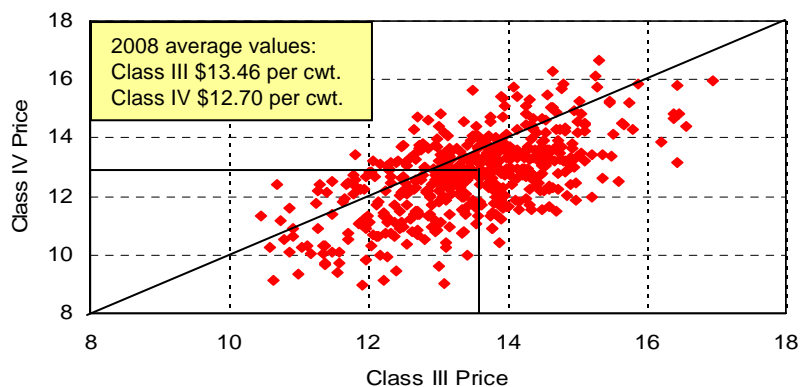
Wholesale Dairy Prices

- Buoyed by strong international demand for milk powder, nonfat dry milk prices averaged over \$1.20 per pound during the last quarter of 2006.
- International dairy markets play a lesser role in butter and cheese prices, which fell sharply in 2006.
- Absent the burdensome government stock levels that plagued nonfat dry milk markets in the first half of this decade, nonfat dry milk prices are expected to remain strong longer term.



2008 Milk Prices

- With stronger nonfat dry milk prices in this baseline, Class III and Class IV prices are expected to be closer than the industry has experienced recently.
- Analysis of alternative futures reveals some outcomes where Class IV prices are the driver of the Class I mover, though Class III prices typically dominate.



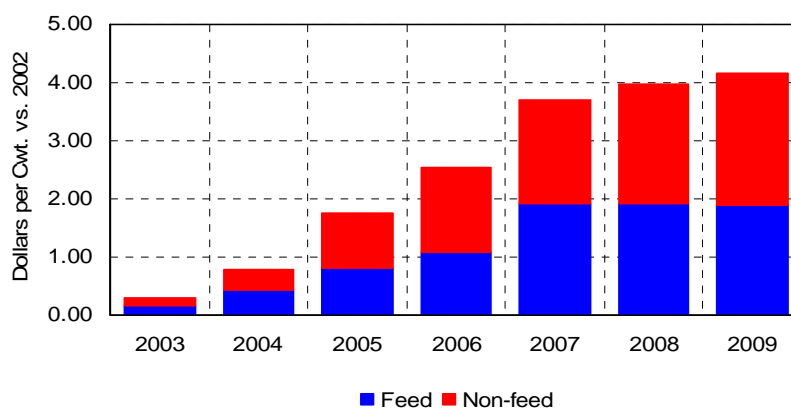
U.S. Dairy Sector

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
U.S. Milk Supply											
Dairy Cows (Thou. Head)	9,115	9,063	9,056	9,037	9,012	8,981	8,947	8,918	8,894	8,878	8,873
Milk Yield (Lbs.)	19,949	20,251	20,567	20,919	21,259	21,602	21,929	22,242	22,557	22,901	23,158
Milk Production (Bil. Lbs.)	181.8	183.5	186.3	189.0	191.6	194.0	196.2	198.3	200.6	203.3	205.5
Min. FMMO Class Prices											
	(Dollars per Cwt.)										
Class I Mover	11.88	13.65	13.62	13.69	13.70	13.76	13.70	13.68	13.74	13.74	13.89
Class II	11.76	13.69	13.39	13.32	13.22	13.18	13.07	13.04	13.03	12.94	13.04
Class III	11.89	13.42	13.46	13.54	13.57	13.64	13.59	13.57	13.63	13.64	13.77
Class IV	11.06	13.00	12.70	12.63	12.52	12.49	12.38	12.34	12.34	12.25	12.34
All Milk Price	12.91	14.61	14.52	14.54	14.51	14.53	14.45	14.41	14.45	14.42	14.54
MILCX Payment	0.61	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wholesale Prices											
	(Dollars per Pound)										
Butter, CME	1.24	1.27	1.25	1.22	1.19	1.21	1.21	1.23	1.25	1.24	1.25
Cheese, Am., 40#, CME	1.24	1.39	1.39	1.40	1.41	1.41	1.41	1.40	1.41	1.41	1.42
Nonfat Dry Milk, AA	1.03	1.17	1.15	1.16	1.16	1.14	1.13	1.12	1.11	1.10	1.11
Evaporated	1.50	1.55	1.55	1.56	1.57	1.58	1.59	1.59	1.60	1.61	1.62
Dairy Product Production											
	(Million Pounds)										
American Cheese	3,933	3,981	4,075	4,140	4,204	4,265	4,320	4,372	4,430	4,490	4,540
Other Cheese	5,503	5,616	5,793	5,939	6,085	6,239	6,375	6,522	6,651	6,798	6,947
Butter	1,436	1,479	1,482	1,503	1,507	1,485	1,472	1,451	1,443	1,441	1,421
Nonfat Dry Milk	1,434	1,638	1,676	1,757	1,795	1,820	1,863	1,893	1,956	2,031	2,079

Milk Production

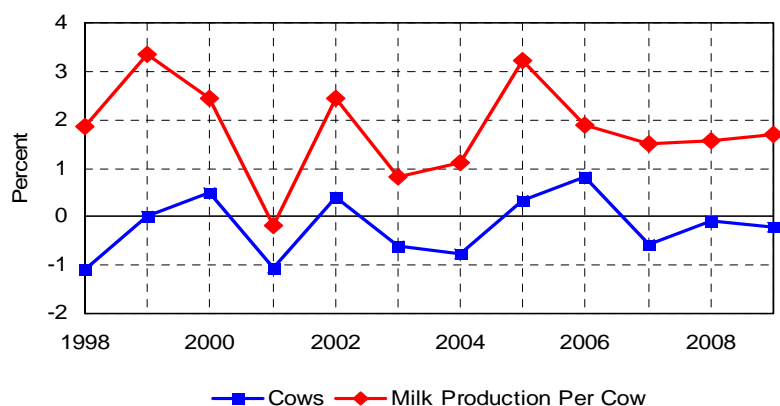
Milk Production Cost Increases

- The cost of producing milk has increased rapidly for the past two years, and 2007 will likely see another \$1 increase in the cost of producing 100 pounds of milk.
- Non-feed expenses led the increases until the recent increase in corn and alfalfa prices.
- These cost increases will slow milk production growth rates.



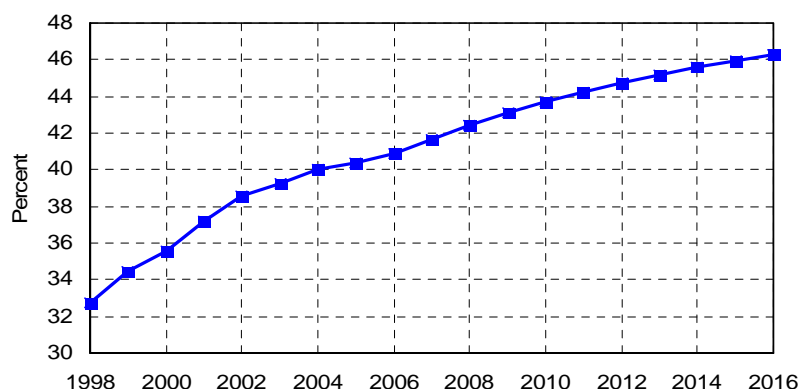
- While strong growth in milk production per cow was primarily responsible for 2005 milk production growth, additional cow numbers fueled 2006 milk production increases.
- The increase in 2006 dairy cow inventories was the largest in percentage terms since 1985.
- After a decrease of 65 thousand head in 2007, dairy cow numbers will decline marginally for the remainder of the baseline.

Change in Milk Production Components



Percentage of Milk Production in Western States

- The 13 states west of the Central Time Zone accounted for over 40 percent of U.S. milk production in 2006.
- The migration of milk production to the western portion of the country has slowed down in the last two years.
- If corn prices continue to rise substantially, there may be some shifting of dairies toward ethanol plants and cheaper feed supplies.



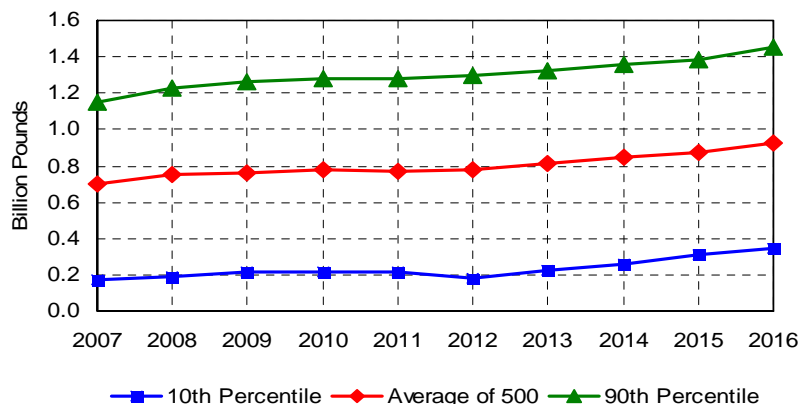
State Level Dairy Cows

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(Thousand Head)										
Alabama	14	11	10	9	9	8	8	7	7	6	6
Alaska	1	1	1	1	1	1	1	1	1	1	1
Arizona	168	171	174	176	178	180	181	183	184	185	186
Arkansas	20	18	17	15	14	13	13	12	12	12	12
California	1,779	1,794	1,821	1,844	1,864	1,882	1,896	1,911	1,925	1,939	1,955
Colorado	110	113	117	120	123	124	126	126	127	127	127
Connecticut	19	18	18	17	17	16	16	15	15	14	14
Delaware	7	7	6	6	6	5	5	5	5	4	4
Florida	132	126	122	118	115	112	110	108	106	104	103
Georgia	77	72	69	67	65	63	61	59	58	56	55
Hawaii	4	4	3	3	2	2	2	2	1	1	1
Idaho	488	510	531	550	566	581	595	608	620	631	642
Illinois	103	102	100	99	97	96	94	92	91	90	89
Indiana	165	168	171	174	176	178	179	181	182	184	185
Iowa	201	202	202	201	199	197	194	190	187	183	179
Kansas	112	111	111	111	111	111	111	111	111	111	111
Kentucky	98	88	84	80	77	73	70	67	64	61	59
Louisiana	32	27	26	24	22	20	18	16	15	13	11
Maine	32	30	29	27	26	25	24	24	23	23	22
Maryland	70	67	64	62	60	58	56	55	54	53	52
Massachusetts	16	14	13	12	11	11	11	10	10	10	10
Michigan	319	321	323	325	325	325	325	325	324	324	323
Minnesota	450	439	428	418	408	399	390	381	373	366	359
Mississippi	23	20	18	17	16	15	14	13	12	12	11
Missouri	115	110	106	102	98	94	91	87	85	82	80
Montana	19	18	17	17	16	16	16	16	15	15	15
Nebraska	61	60	59	58	56	55	54	53	52	51	50
Nevada	27	28	29	29	30	30	30	30	30	30	30
New Hampshire	15	14	13	13	12	12	12	11	11	11	11
New Jersey	11	11	10	9	8	8	7	7	6	6	6
New Mexico	355	372	390	406	421	434	447	458	468	478	489
New York	644	633	625	616	608	600	593	586	580	575	570
North Carolina	51	47	43	40	38	35	33	32	30	30	29
North Dakota	32	30	28	27	26	24	23	23	22	21	21
Ohio	274	274	275	276	276	275	274	273	272	271	270
Oklahoma	73	70	67	65	63	61	59	58	56	55	54
Oregon	120	117	116	114	112	111	110	108	108	107	107
Pennsylvania	554	545	536	527	519	510	502	494	488	481	476
Rhode Island	1	1	1	1	1	1	1	1	1	1	1
South Carolina	17	16	15	13	12	11	10	9	8	7	7
South Dakota	81	79	77	75	73	72	70	68	66	64	62
Tennessee	67	62	58	53	50	46	43	39	37	34	32
Texas	334	349	364	374	383	391	398	405	410	415	420
Utah	86	82	79	76	74	72	71	69	68	68	67
Vermont	142	138	135	133	131	129	127	125	123	121	119
Virginia	103	99	96	93	91	89	87	85	84	83	82
Washington	237	232	229	227	224	221	218	215	213	210	208
West Virginia	13	13	12	12	12	11	11	11	10	10	10
Wisconsin	1,243	1,225	1,211	1,197	1,183	1,171	1,159	1,150	1,142	1,137	1,133
Wyoming	7	6	6	6	6	5	5	5	5	5	4
United States	9,115	9,063	9,056	9,037	9,012	8,981	8,947	8,918	8,894	8,878	8,873

Dairy Products

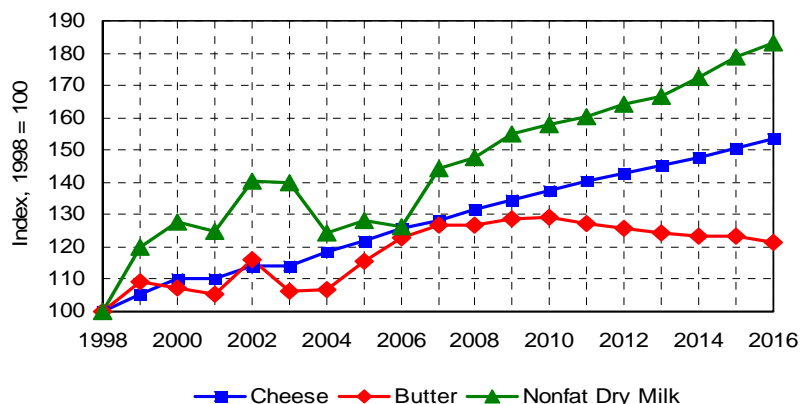
- The current baseline averages show nonfat dry milk exports continuing to be extremely important to the outlook.
- When world skim milk powder prices are low, it is difficult for the U.S. to export large quantities of nonfat dry milk.
- Nonfat dry milk exports of less than 300 million pounds would likely result in nonfat dry milk moving back into government storage.

Nonfat Dry Milk Exports



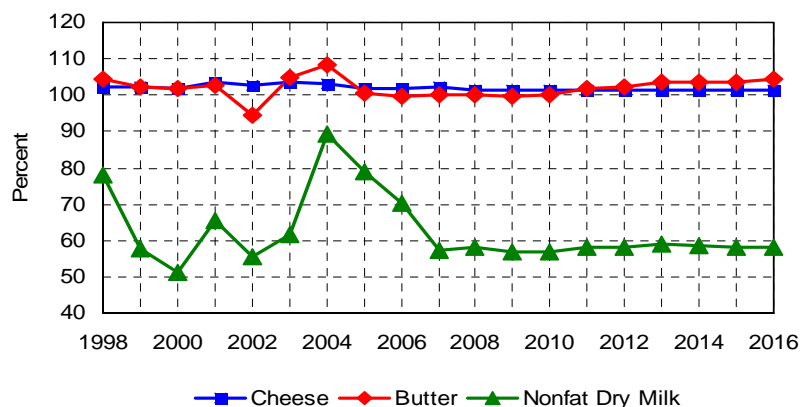
- After two years of virtually no growth in nonfat dry milk production, the allocation of milk supply to dairy products is similar to that of the late 1990's.
- The boost provided to the nonfat dry milk sector from export demand will allow nonfat dry milk production to increase more rapidly than the other products in the baseline.
- Cheese production growth is expected to remain stable.

Dairy Product Production



- In the absence of large changes to stock levels (similar to butter in 2002 and 2004), virtually all butter and cheese production is consumed domestically.
- The previous accumulation of nonfat dry milk stocks in government storage allowed for healthy levels of exports without compromising domestic availability from 2004-2006.
- With stocks now near zero, expected high export levels will lead to a very tight domestic nonfat dry milk market.

Proportion of Production Consumed Domestically



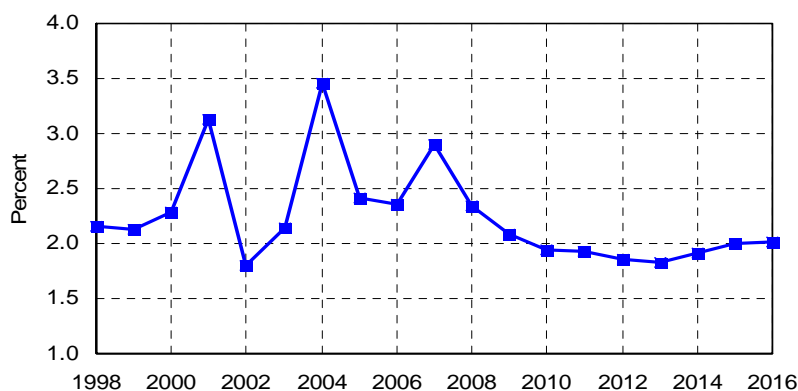
U.S. Dairy Product Supply and Use

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Butter (Million Pounds)											
Production	1,436	1,479	1,482	1,503	1,507	1,485	1,472	1,451	1,443	1,441	1,421
Imports	34	60	56	60	57	63	64	72	75	80	83
Domestic Use	1,431	1,482	1,485	1,495	1,507	1,510	1,507	1,505	1,497	1,495	1,485
Total Foreign Use	12	12	12	12	12	12	12	12	12	12	12
Ending Stocks	86	131	172	228	273	299	316	322	331	345	351
CCC Net Rem. inc DEIP	0	56	38	55	45	27	18	7	10	13	8
American Cheese											
Production	3,933	3,981	4,075	4,140	4,204	4,265	4,320	4,372	4,430	4,490	4,540
Imports	40	40	40	40	40	40	40	40	40	40	40
Domestic Use	3,950	3,945	4,007	4,060	4,127	4,189	4,247	4,294	4,346	4,386	4,432
Total Foreign Use	28	73	90	105	104	103	100	106	111	133	139
Ending Stocks	532	534	552	566	579	592	604	616	629	640	649
CCC Net Rem. inc DEIP	0	0	0	1	-1	0	1	1	1	-2	-1
Other Cheese											
Production	5,503	5,616	5,793	5,939	6,085	6,239	6,375	6,522	6,651	6,798	6,947
Imports	397	401	405	409	413	417	421	426	430	434	438
Domestic Use	5,668	5,851	6,015	6,172	6,321	6,480	6,619	6,771	6,905	7,055	7,210
Total Foreign Use	174	174	174	174	174	174	174	174	174	174	174
Ending Stocks	279	270	279	281	284	286	289	291	293	296	298
Nonfat Dry Milk											
Production	1,434	1,638	1,676	1,757	1,795	1,820	1,863	1,893	1,956	2,031	2,079
Imports	2	2	2	2	2	2	2	2	2	2	2
Domestic Use	1,006	941	975	998	1,022	1,055	1,087	1,115	1,146	1,177	1,206
Total Foreign Use	560	687	704	752	764	781	766	776	809	845	873
Ending Stocks	53	65	64	73	84	70	82	86	89	100	102
Government	0	8	6	14	26	13	24	29	31	41	43
Commercial	53	57	57	59	58	58	58	57	58	59	59
CCC Net Rem. inc DEIP	-69	8	-1	7	12	-13	12	5	2	10	2
Evap. and Condensed Milk											
Production	665	646	648	646	646	646	644	643	640	639	636
Imports	11	11	11	11	11	11	11	11	11	11	11
Domestic Use	599	587	587	586	586	585	584	582	580	579	576
Total Foreign Use	71	71	71	71	71	71	71	71	71	71	71
Ending Stocks	50	49	49	49	49	50	50	50	50	50	50
Per Capita Cons. (Pounds)											
Butter	4.8	4.9	4.9	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6
Nonfat Dry Milk	3.4	3.1	3.2	3.2	3.3	3.4	3.4	3.5	3.6	3.6	3.7
Total Cheese	32.1	32.4	32.9	33.3	33.7	34.1	34.4	34.8	35.0	35.3	35.7
American	13.2	13.1	13.1	13.2	13.3	13.4	13.5	13.5	13.5	13.5	13.6
Other	18.9	19.4	19.7	20.1	20.4	20.7	21.0	21.3	21.5	21.8	22.1
Total Fluid Milk	200.8	197.7	196.8	196.4	196.5	196.5	195.5	194.6	193.4	192.8	191.9
Ice Cream	26.4	26.2	26.1	26.1	26.1	26.0	25.9	25.8	25.7	25.6	25.5
Retail Prices (Dollars per Pound)											
Butter, Salted, AA, Stick	2.92	3.04	3.05	3.08	3.10	3.14	3.18	3.23	3.28	3.32	3.36
Cheese, Natural Cheddar	4.25	4.75	4.86	4.94	4.99	5.05	5.09	5.13	5.20	5.27	5.35
Milk, Frsh, Whole Fortified	3.08	3.32	3.32	3.33	3.33	3.34	3.33	3.33	3.34	3.34	3.36
Ice Cream (Half Gallon)	3.75	3.86	3.89	3.97	4.06	4.14	4.19	4.23	4.27	4.31	4.37

Food Prices and Expenditures

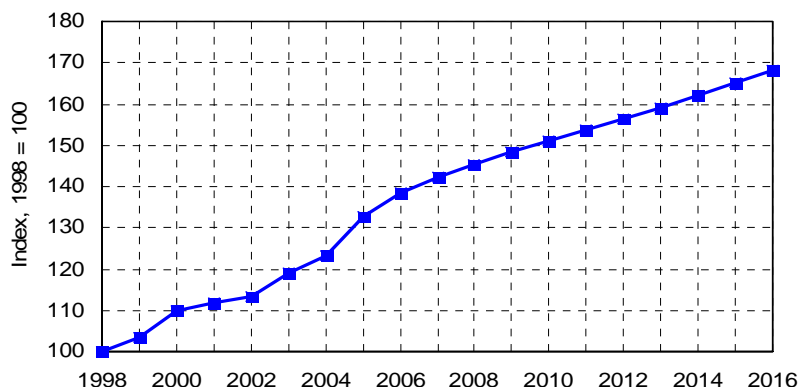
- The CPI for food will increase by nearly 3 percent in 2007.
- The fruit and vegetable category will show the largest growth, as has been the case for the past couple of years.
- Annual growth in the CPI for food will average near 2 percent longer term, comparable to general inflation growth.

Change in the Consumer Price Index for Food



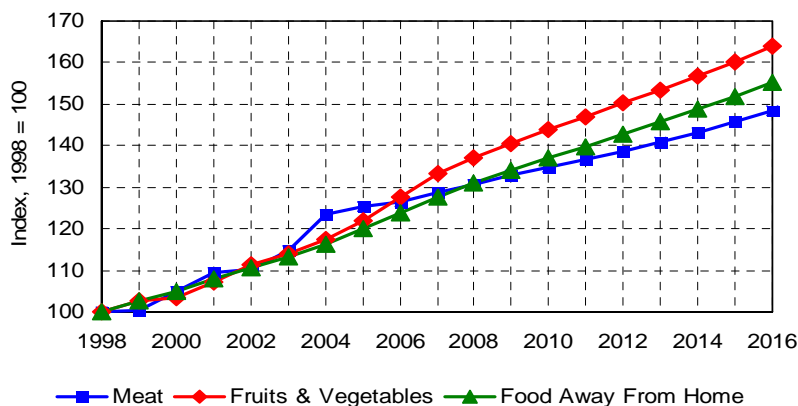
- While the cost of food at the farm level certainly impacts retail food prices, approximately 80 percent of consumer expenditures on food are due to other factors.
- Labor, fuel and packaging material costs are some of the major components of consumer food prices.
- Food marketing costs grew sharply in 2005 and 2006, and this growth plays an important role in the higher CPI for food growth rate expected in 2007.

Food Marketing Cost Index



- After incredibly strong consumer meat demand led to sharply higher meat prices in 2004, retail meat prices exhibited little growth in 2006.
- Fruit and vegetable costs spiked higher in 2006, and some continuation of this is expected in 2007 given weather-related production losses.
- Growth in food away from home costs began to outpace food at home costs in 2005. This trend is expected to continue.

Change in Selected CPI for Food Components



Consumer Price Indices for Food

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(1982-84=100)										
TOTAL	195.2	200.9	205.6	209.9	213.9	218.1	222.1	226.2	230.5	235.1	239.8
Food at Home	193.1	198.1	202.3	206.2	209.8	213.4	217.0	220.6	224.4	228.6	232.8
Cereal and Bakery	212.8	219.1	224.3	229.2	233.9	238.5	243.2	247.7	252.4	257.2	262.2
Meat	186.6	189.4	192.7	195.9	198.6	201.4	204.4	207.3	210.8	214.8	218.6
Dairy	181.4	184.4	188.5	191.6	194.5	197.5	200.3	203.1	206.1	209.3	212.8
Fruit and Vegetables	252.9	263.9	271.4	278.3	284.9	291.3	297.8	304.1	310.7	317.5	324.5
Other Food at Home	169.6	172.7	175.0	177.1	179.0	180.8	182.5	184.3	186.1	188.1	190.1
Sugar and Sweets	171.5	176.1	178.2	181.2	183.3	185.4	187.5	189.5	191.6	193.9	196.0
Fats and Oils	168.0	171.9	174.6	177.1	178.8	180.3	181.7	183.1	184.7	186.4	188.2
Other Prepared Items	185.0	187.9	190.0	191.9	193.7	195.4	197.1	198.7	200.5	202.3	204.3
Non-alc. Beverages	147.4	150.0	152.3	154.3	156.2	158.0	159.8	161.6	163.5	165.5	167.5
Food Away From Home	199.4	205.7	211.0	215.8	220.5	225.3	229.9	234.5	239.4	244.7	250.1

Per Capita Consumer Expenditures for Food

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(Dollars per Person)										
Food at Home	1,342	1,372	1,398	1,422	1,444	1,465	1,486	1,506	1,528	1,551	1,577
Cereal and Bakery	182	187	192	195	199	202	205	209	212	215	219
Meat	307	313	319	325	331	336	341	346	351	357	365
Dairy	150	152	154	156	158	159	161	162	164	166	167
Fruit and Vegetables	229	236	241	246	250	255	259	264	268	273	278
Other Food at Home	474	484	492	500	506	513	519	526	533	540	547
Sugar and Sweets	49	51	51	52	53	53	53	53	53	54	54
Fats and Oils	36	39	39	39	39	39	39	39	39	39	39
Miscellaneous	247	253	258	263	267	271	275	279	284	289	293
Trips	17	18	18	19	19	20	20	20	21	21	22
Non-alc. Beverages	123	123	125	127	128	130	132	133	135	137	138
Food Away from Home	1,094	1,135	1,172	1,205	1,239	1,273	1,306	1,339	1,373	1,409	1,446
TOTAL	2,435	2,507	2,569	2,627	2,682	2,738	2,791	2,845	2,901	2,961	3,023
Multiply by Population for:	(Billion Dollars)										
AGGREGATE TOTAL	729.8	758.0	783.6	808.3	832.3	856.7	881.0	905.5	931.4	958.4	986.7

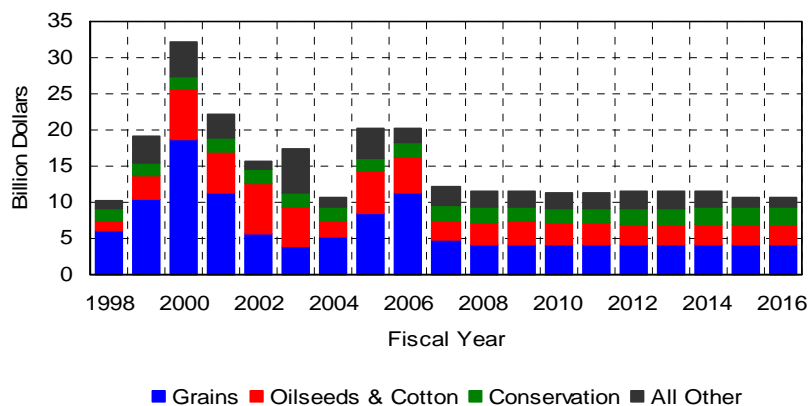
Government Costs

CCC Net Expenditures

▪ Net CCC outlays exceeded \$20 billion in FY 2005 and FY 2006, as low prices for corn and other crops led to large marketing loan benefits and CCPs.

▪ The sharp increase in grain and oilseed prices in 2006/07 results in much lower outlays in FY 2007 and subsequent years.

▪ Net outlays total \$113.6 billion over the FY 2007-FY 2016 period. This compares to \$175.1 billion over the FY 1997-FY 2006 period.

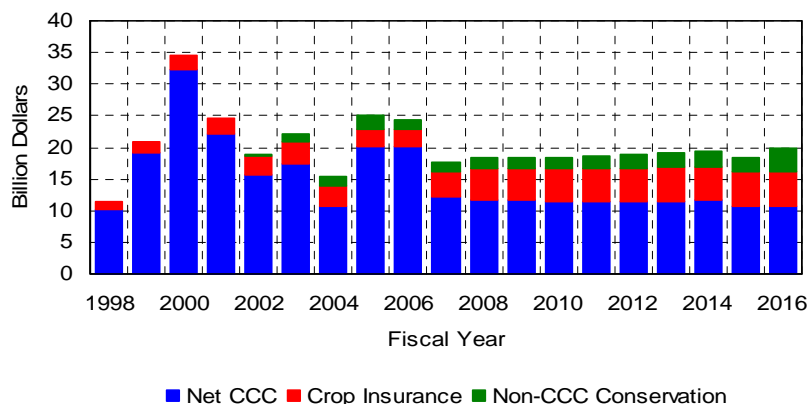


▪ Mandatory government outlays under the crop insurance program and certain conservation programs are not included in the CCC account.

▪ Crop insurance outlays increase with crop prices, as premiums and premium subsidies increase with crop values.

▪ Including these non-CCC programs, total mandatory outlays are \$186.9 billion over FY 2007-FY 2016. This compares to \$205.6 billion over the FY 1997-FY 2006 period.

Total Mandatory Government Outlays

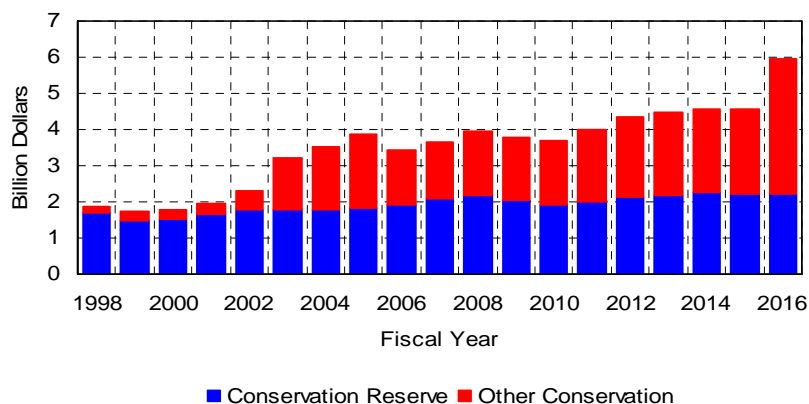


Conservation Program Expenditures

▪ CRP spending reflects changes in CRP area under contract and increased rental rates when new contracts are signed.

▪ For other mandatory conservation programs, projected expenditures are based on preliminary estimates from the Congressional Budget Office (CBO).

▪ The large increase shown in FY 2016 results from increased spending on the Conservation Security Program, where funding is capped until FY 2015.



Net Government Outlays

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Feed Grains	(Million Dollars)										
Corn	8,804	3,127	2,119	2,116	2,114	2,120	2,130	2,140	2,142	2,166	2,178
Sorghum	568	191	200	202	201	201	201	201	202	202	202
Barley	168	62	85	85	85	86	86	87	88	90	89
Oats	2	3	4	4	4	4	4	4	4	5	5
Food Grains											
Wheat	1,080	924	1,183	1,175	1,176	1,177	1,176	1,178	1,186	1,181	1,174
Rice	605	409	579	637	609	582	569	549	542	538	541
Oilseeds											
Soybeans	591	414	629	668	678	735	754	773	834	874	896
Peanuts	404	283	156	147	133	144	147	149	148	149	155
Other Oilseeds	52	11	23	22	22	22	22	23	25	26	27
Other Commodities											
Upland Cotton	3,982	2,036	2,167	2,246	2,100	2,004	1,929	1,860	1,833	1,791	1,758
Sugar	10	10	-18	6	9	7	16	21	20	46	48
Dairy	412	244	48	69	64	30	43	28	30	40	30
CCC Conservation											
Conservation Reserve	1,903	2,080	2,172	2,025	1,907	2,014	2,109	2,191	2,261	2,236	2,233
Other CCC Conservation	16	0	0	0	0	0	0	0	0	0	0
Tobacco Trust Fund	891	995	995	995	995	995	995	995	995	0	0
Other											
Disaster Payments, NAP	481	565	300	300	300	300	300	300	300	300	300
Other Net Costs	236	735	913	916	931	935	940	942	958	975	989
Net CCC Outlays	20,204	12,088	11,556	11,611	11,327	11,355	11,421	11,443	11,568	10,617	10,625
NRCS Conservation	1,496	1,556	1,789	1,754	1,804	2,005	2,234	2,290	2,318	2,327	3,719
Crop Insurance	2,583	3,944	4,973	5,130	5,221	5,276	5,319	5,349	5,374	5,409	5,457
Total Mandatory Outlays	24,283	17,588	18,318	18,494	18,351	18,636	18,974	19,082	19,260	18,354	19,800

Note: "NRCS Conservation" denotes mandatory spending on conservation programs authorized by the 2002 farm bill that is not included in reported CCC outlays.

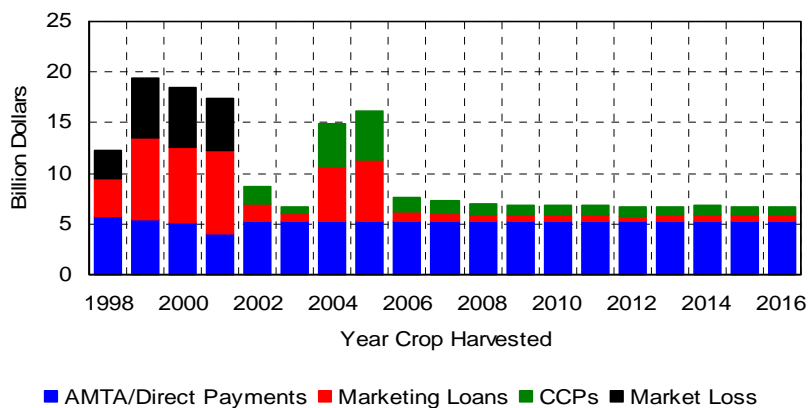
Payments and Crop Insurance

Selected Government Payments

▪ Direct payments, CCPs and marketing loan benefits associated with the 2005/06 crop totaled \$16.1 billion. This is the most since enactment of the 2002 farm bill.

▪ Because of sharply higher prices for most crops, marketing loan benefits and CCPs drop dramatically in 2006/07.

▪ Across 500 stochastic outcomes, average CCPs and marketing loan benefits combined are \$2.4 billion in 2006/07 and \$1.5 billion in 2016/17.

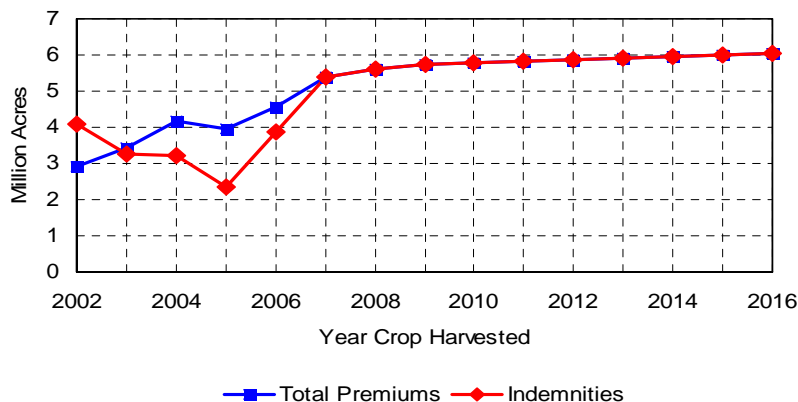


Crop Insurance Premiums and Indemnities

▪ For four straight years, the crop insurance loss ratio (indemnities divided by total premiums) has been less than 1.0.

▪ The baseline assumes an average loss ratio of 1.0. Actual loss ratios will vary based on crop yields and market prices.

▪ Total premiums and indemnities increase between 2005/06 and 2009/10 primarily because higher expected prices increase the value of crops covered.

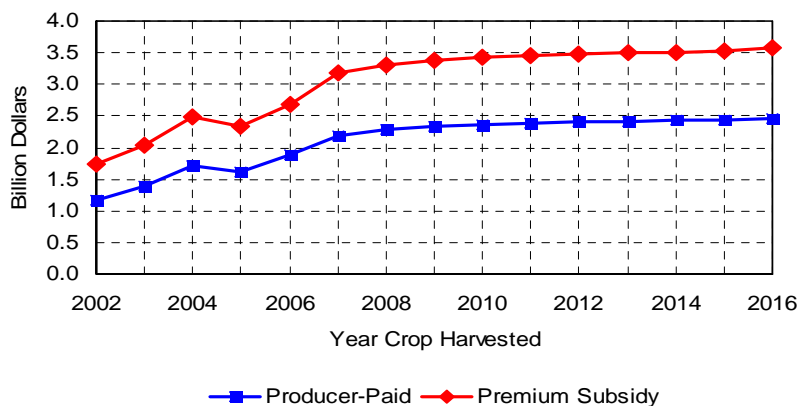


Crop Insurance Premiums

▪ Crop insurance premium subsidies are projected to increase from \$2.3 billion for the 2005/06 crop to \$3.6 billion in 2016/17.

▪ Premiums change with insurable prices, so higher crop prices translate into increased premiums and premium subsidies.

▪ Premium subsidies account for approximately 59 percent of total premiums over the projection period.



Selected Direct Government Payments

Crop Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
(Million Dollars)											
Direct Payments	5,252	5,252	5,255	5,259	5,261	5,261	5,261	5,261	5,261	5,261	5,261
Marketing Loans	912	730	653	580	594	579	535	578	614	622	609
Countercyclical Payments	1,520	1,266	1,096	1,009	957	945	914	898	925	871	847
Total	7,684	7,249	7,004	6,848	6,811	6,785	6,710	6,737	6,800	6,754	6,717

Note: Includes direct payments, marketing loans (loan deficiency payments and marketing loan gains) and countercyclical payments for feed grains, food grains, oilseeds, and upland cotton.

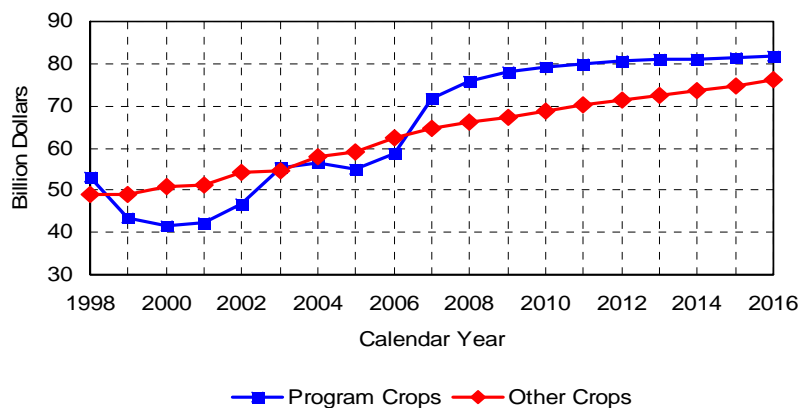
Crop Insurance

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Million Acres, Crop Year)											
Eligible Acres	308.5	323.0	323.3	323.8	324.1	323.8	323.4	323.0	322.3	321.7	321.2
Net Acres Insured	242.2	248.6	250.0	250.6	251.3	251.8	252.0	252.1	252.2	252.3	252.5
Catastrophic	28.5	29.8	29.4	29.3	29.3	29.3	29.3	29.3	29.3	29.4	29.4
Yield Buy-Up	75.7	75.5	74.7	74.5	74.6	74.7	74.8	75.0	75.1	75.3	75.5
Revenue-Based	138.0	143.3	145.9	146.8	147.5	147.8	147.9	147.8	147.7	147.6	147.5
Crop Insurance Participation Rate	78.5%	77.0%	77.3%	77.4%	77.5%	77.8%	77.9%	78.1%	78.2%	78.4%	78.6%
(Billion Dollars, Crop Year)											
Total Premiums	4.58	5.37	5.59	5.72	5.79	5.84	5.88	5.90	5.94	5.98	6.05
Producer-Paid Premiums	1.90	2.18	2.28	2.34	2.37	2.39	2.40	2.41	2.43	2.44	2.47
Premium Subsidies	2.68	3.19	3.31	3.38	3.42	3.45	3.48	3.49	3.51	3.54	3.58
Total Indemnities	3.89	5.37	5.59	5.72	5.79	5.84	5.88	5.90	5.94	5.98	6.05
Loss Ratio	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
(Billion Dollars, Fiscal Year)											
Total Obligations	3.19	4.75	6.32	6.57	6.71	6.79	6.86	6.90	6.93	6.97	7.02
Net Outlays	2.58	3.94	4.97	5.13	5.22	5.28	5.32	5.35	5.37	5.41	5.46
Budget Authority	2.18	3.53	4.92	5.10	5.20	5.26	5.31	5.34	5.36	5.40	5.44

Farm Receipts and Expenses

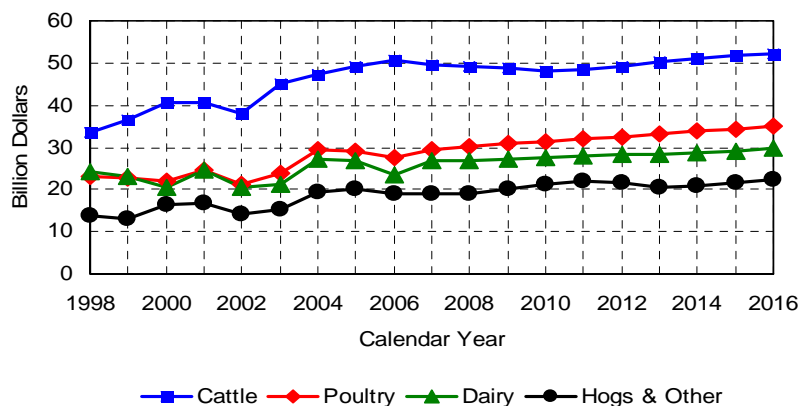
Crop Cash Receipts

- Cash receipts from sales of program crops (grains, oilseeds, cotton and sugar) accounted for less than half of total crop receipts from 2004-2006.
- Program crop receipts increase sharply in 2007 because of higher grain and oilseed prices.
- Other crop receipts vary less from year to year and grow at an annual rate of 2%.



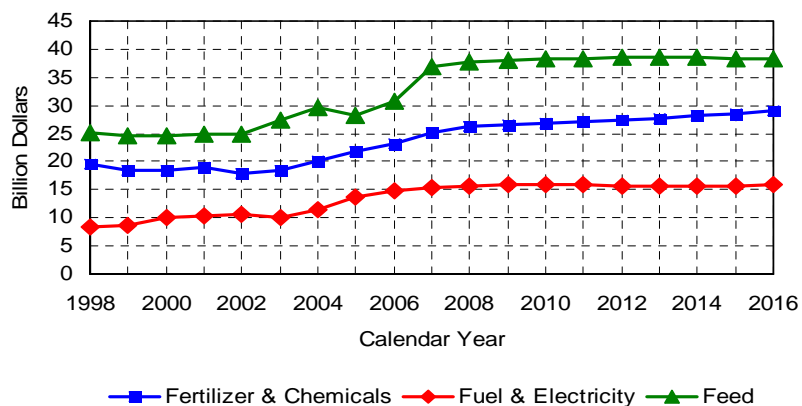
Livestock Cash Receipts

- Cash receipts from sales of cattle and calves reached record highs in 2006. Declining prices for feeder cattle contribute to a decline in cattle receipts between 2007 and 2010.
- Poultry receipts declined with broiler prices in 2005 and 2006, but recover in 2007. Poultry receipts grow with production after 2007.
- Dairy receipts declined slightly in 2005 and 2006 because of lower milk prices, but prices and receipts recover in 2007.



Selected Production Expenses

- Farm production expenses increased sharply between 2002 and 2006, and another large increase is expected in 2007.
- Feed costs jump by \$6 billion in 2007 because of higher prices for corn and other feeds.
- Higher energy prices have contributed to steep increases in fuel and fertilizer expenses.



Farm Cash Receipts

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Billion Dollars)											
Feed Grains	29.57	39.35	42.41	43.98	44.90	45.52	45.95	46.31	46.49	46.61	46.90
Food Grains	9.17	10.01	9.96	9.93	10.11	10.27	10.42	10.53	10.61	10.68	10.77
Oilseeds	17.16	20.00	20.74	21.23	21.32	21.17	21.12	21.11	21.02	20.90	20.82
Cotton	5.88	5.72	6.09	6.40	6.58	6.72	6.82	6.91	6.99	7.10	7.23
Sugar	2.23	2.26	2.38	2.40	2.39	2.37	2.34	2.32	2.28	2.25	2.21
Other Crops	57.21	59.21	60.39	61.58	62.79	64.00	65.17	66.34	67.52	68.71	69.91
Cattle	50.72	49.43	49.21	48.72	47.91	48.31	49.32	50.36	50.99	51.80	52.20
Hogs	14.32	14.08	13.94	14.92	15.89	16.66	16.10	15.13	15.38	16.09	16.44
Dairy Products	23.36	26.70	26.91	27.35	27.66	28.06	28.22	28.46	28.85	29.19	29.73
Poultry, Eggs	27.47	29.26	30.06	30.89	31.43	31.88	32.45	33.11	33.76	34.39	35.04
Other Livestock	4.87	4.94	4.99	5.09	5.17	5.27	5.35	5.42	5.53	5.66	5.78
Total Cash Receipts	241.95	260.96	267.10	272.47	276.17	280.23	283.26	285.99	289.41	293.39	297.04

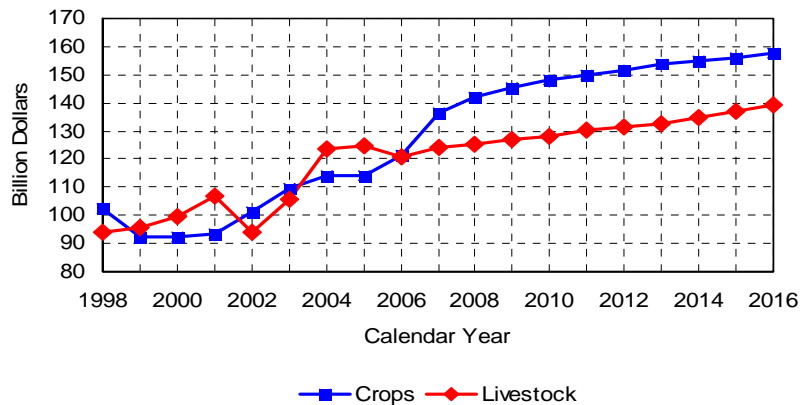
Farm Production Expenses

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Billion Dollars)											
Feed	30.67	36.86	37.74	38.05	38.26	38.43	38.52	38.60	38.48	38.32	38.33
Purchased Livestock	18.84	17.30	16.58	15.83	15.17	15.33	16.02	16.64	17.02	17.49	17.59
Seed	11.32	11.86	12.21	12.45	12.66	12.87	13.05	13.27	13.50	13.75	14.02
Fertilizer and Chemicals	23.18	25.17	26.18	26.49	26.74	27.07	27.30	27.66	28.10	28.53	28.99
Fuels and Electricity	14.80	15.28	15.79	15.84	15.92	15.85	15.71	15.64	15.60	15.71	15.88
Interest	16.39	17.13	18.34	20.02	21.04	21.87	22.59	23.27	23.93	24.59	25.08
Contract and Hired Labor	24.97	25.83	26.51	27.28	28.12	29.01	29.95	30.86	31.75	32.66	33.60
Capital Consumption	24.54	25.19	26.01	26.92	27.64	28.25	28.82	29.36	29.92	30.50	31.09
Rent to Non-Operators	10.47	11.23	12.43	13.36	13.90	14.19	14.32	14.33	14.24	13.99	13.73
All Other	61.99	64.46	66.41	67.69	69.04	70.46	71.83	73.25	74.70	76.19	77.89
Total Production Expenses	237.15	250.31	258.19	263.93	268.47	273.35	278.11	282.86	287.24	291.74	296.20

U.S. Farm Income

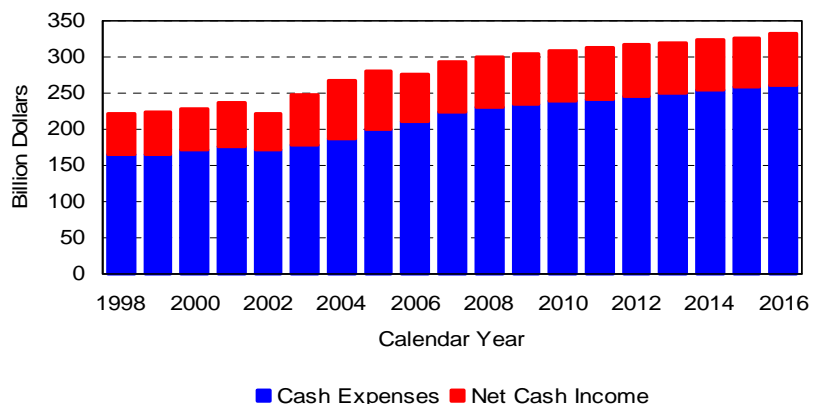
Cash Receipts

- Higher grain and oilseed prices contribute to a projected \$15 billion increase in crop cash receipts in 2007.
- Livestock receipts declined in 2006 but recover in 2007. Higher prices for milk and poultry contribute to the increase.
- In contrast to recent history, crop receipts exceed livestock receipts by an average of \$19 billion per year from 2007-2016.



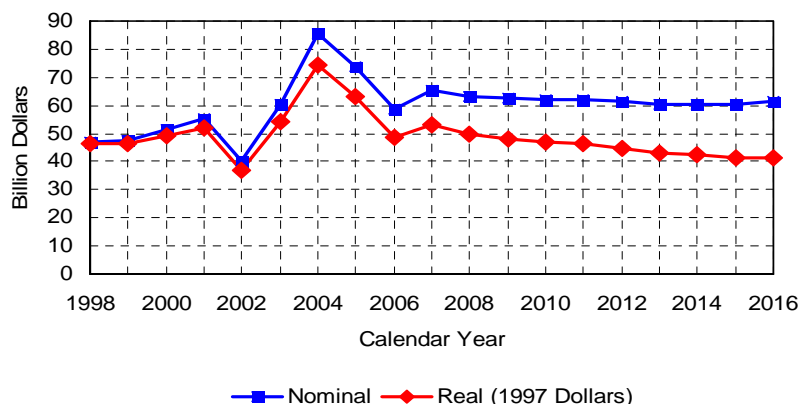
Cash Expenses and Net Cash Income

- Farm cash expenses generally change with total production expenses.
- Cash expenses increased by \$39 billion between 2002 and 2006. After a further significant increase in 2007, cash expenses increase by 1.8 percent per year between 2008 and 2015.
- Net cash income declined to \$67 billion in 2006 but recovers slightly in 2007. Net cash income averages \$70 billion per year from 2007-2016.



Net Farm Income

- Net farm income declined by more than \$26 billion between its 2004 record and 2006, with higher production costs primarily responsible.
- Higher crop receipts contribute to a \$7 billion increase in net farm income in 2007.
- Nominal net farm income remains above \$60 billion throughout the baseline. Real net farm income declines after 2007.



Farm Income Statistics

Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Billion Dollars)											
1. Farm Receipts	260.52	281.41	288.13	293.83	297.79	302.14	305.47	308.51	312.25	316.60	320.58
Crops	121.22	136.55	141.98	145.51	148.10	150.04	151.82	153.51	154.89	156.25	157.85
Livestock	120.73	124.41	125.12	126.97	128.07	130.18	131.44	132.48	134.52	137.13	139.19
Farm-Related	18.57	20.45	21.03	21.36	21.62	21.91	22.22	22.52	22.84	23.22	23.54
2. Government Payments	16.55	11.44	11.44	10.96	10.85	11.03	11.17	11.29	11.37	10.45	11.07
3. Gross Cash Income (1 + 2)	277.07	292.84	299.57	304.79	308.64	313.16	316.64	319.80	323.62	327.05	331.64
4. Nonmoney Income	19.26	19.94	20.62	21.40	21.98	22.58	23.12	23.63	24.26	24.99	25.68
5. Value of Inventory Change	-0.25	3.08	1.04	0.26	-0.06	-0.16	-0.41	-0.26	-0.02	0.01	0.18
6. Gross Farm Income (3 + 4 + 5)	296.08	315.87	321.23	326.45	330.56	335.58	339.36	343.16	347.86	352.04	357.51
7. Cash Expenses	210.49	222.86	229.79	234.47	238.18	242.33	246.42	250.52	254.22	257.99	261.74
8. Total Expenses	237.15	250.31	258.19	263.93	268.47	273.35	278.11	282.86	287.24	291.74	296.20
9. Net Cash Income (3 - 7)	66.58	69.98	69.78	70.32	70.46	70.84	70.23	69.28	69.40	69.06	69.91
10. Realized Net Farm Inc (3 + 4 - 8)	59.18	62.48	62.00	62.26	62.15	62.39	61.66	60.56	60.63	60.30	61.13
11. Net Farm Income (6 - 8)	58.93	65.56	63.04	62.52	62.09	62.23	61.25	60.30	60.61	60.31	61.32
Deflated (1997 \$)	48.86	53.21	49.77	48.28	47.01	46.17	44.61	43.09	42.48	41.48	41.41

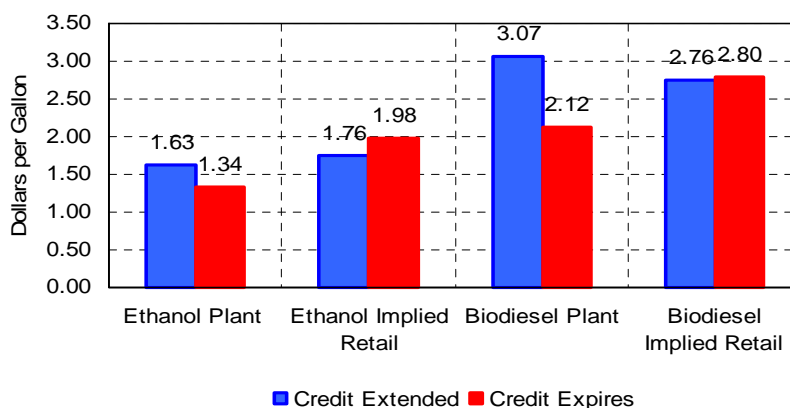
Biofuel Tariff and Tax Provisions

■ Biofuel taxes and tariffs are scheduled to expire in 2008 (ethanol tariff and biodiesel tax credit) and 2010 (ethanol tax credit). See page 6 for more information.

■ If tax provisions expire as scheduled, biofuel producer prices will fall and biofuel consumer prices will rise.

■ Eliminating the \$0.51 per gallon ethanol tax credit reduces average ethanol producer prices by \$0.29 per gallon and increases implied ethanol retail prices by \$0.22 per gallon.

Biofuel Prices, 2011-2016 Average

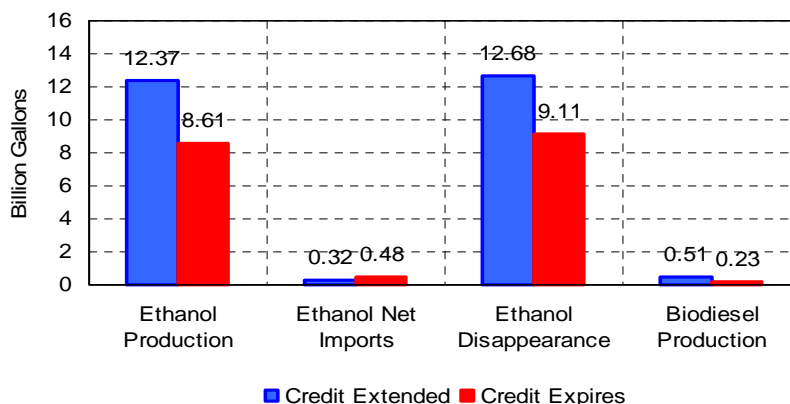


■ If the ethanol tax credit is not extended, producer margins are sharply reduced and production declines by 30 percent.

■ Without the ethanol tariff, imports increase, but the increase is moderated by the decline in ethanol prices that occurs when the tax credit also expires.

■ Average returns to biodiesel production are marginal even if the tax credit is extended. If the credit expires, biodiesel returns and production decline sharply.

Biofuel Supply and Use, 2011-2016 Average

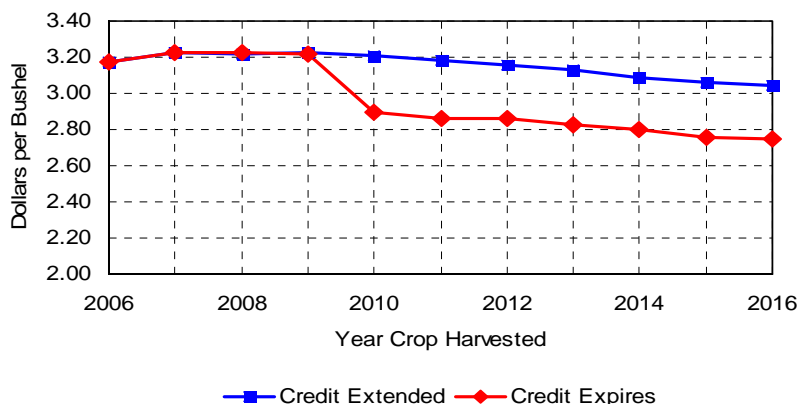


■ If the ethanol tax credit expires as scheduled in 2010, average corn prices fall by about \$0.30 per bushel.

■ Lower prices for corn and fewer competing coproducts result in more corn feed use. Exports increase and production declines.

■ Soybean oil prices decline sharply if the biodiesel tax credit is not extended. Soybean meal prices increase.

Corn Prices



Biofuel Tax and Tariff Extensions: 2011-2016 Averages

	Tax Provisions Extended Indefinitely	Tax Provisions Expire as Scheduled	Absolute Difference	Percentage Difference
Tax and Tariff Provisions				
	(Dollars per Gallon)			
Ethanol Tax Credit	0.51	0.00	-0.51	-100.0%
Biodiesel Tax Credit (Virgin Veg. Oil)	1.00	0.00	-1.00	-100.0%
Ethanol Specific Tariff	0.54	0.00	-0.54	-100.0%
Biofuel Sector Results				
	(Billion Gallons)			
Ethanol Production	12.37	8.61	-3.75	-30.4%
Ethanol Net Imports	0.32	0.48	0.16	49.4%
Ethanol Domestic Disappearance	12.68	9.11	-3.57	-28.1%
Biodiesel Production	0.51	0.23	-0.27	-53.9%
	(Dollars per Gallon)			
Ethanol Price, FOB Omaha Plant	1.63	1.34	-0.29	-17.8%
Ethanol Implied Retail Price	1.76	1.98	0.22	12.5%
Dry Mill Returns Over Operating Costs	0.19	0.04	-0.15	-79.7%
Biodiesel Plant Price	3.07	2.12	-0.95	-31.0%
Corn Sector Supply and Use				
	(Billion Bushels)			
Corn Production	13.83	13.31	-0.52	-3.7%
Corn Ethanol Use	4.14	2.82	-1.33	-32.1%
Corn Feed Use	5.84	6.24	0.40	6.8%
Corn Exports	2.37	2.77	0.40	16.9%
Soybean Sector Supply and Use				
	(Billion Bushels)			
Soybean Production	3.05	3.10	0.05	1.6%
Soybean Crush	1.92	1.92	0.01	0.3%
Soybean Exports	0.95	0.99	0.03	3.4%
	(Billion Pounds)			
Soyoil Biodiesel Use	2.95	1.33	-1.62	-55.0%
Soyoil Other Domestic Use	17.11	17.73	0.62	3.6%
Soyoil Exports	1.85	2.91	1.07	57.9%
Crop Planted Acreage				
	(Million Acres)			
Corn	89.84	86.46	-3.38	-3.8%
Soybeans	70.08	71.18	1.10	1.6%
Wheat	57.46	58.00	0.54	0.9%
9 Other Crops Plus Hay	96.42	96.40	-0.03	0.0%
Conservation Reserve Area	31.95	32.60	0.65	2.0%
12 Crops + Hay + CRP	345.76	344.64	-1.11	-0.3%
Crop Sector Prices				
	(Dollars per Bushel)			
Corn Farm Price	3.11	2.81	-0.30	-9.6%
Soybean Farm Price	6.63	6.14	-0.49	-7.4%
Wheat Farm Price	4.19	4.03	-0.16	-3.9%
Sorghum Farm Price	3.01	2.81	-0.20	-6.6%
	(Cents per Pound)			
Upland Cotton Farm Price	58.10	57.85	-0.26	-0.4%
Soyoil Market Price, Decatur, IL	34.34	26.89	-7.45	-21.7%
	(Dollars per Ton)			
Soymeal Price, 48% Protein	166.09	179.85	13.75	8.3%
DDG Price, Indiana	102.39	113.35	10.96	10.7%

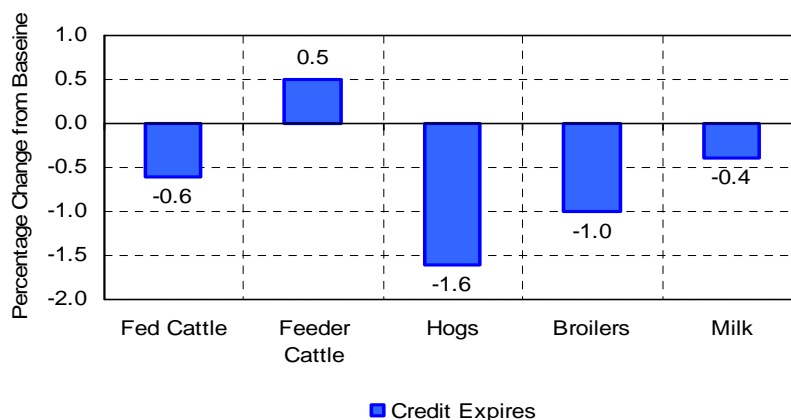
Biofuel Tariff and Tax Provisions, continued

▪ If biofuel tax credits are not extended, corn prices fall. Even though soybean meal prices increase, overall feed costs decline relative to extending the tax credits.

▪ Lower feed costs result in increased meat and milk production.

▪ Increased production results in modestly lower prices to most livestock and dairy producers. The exception is the cow-calf producer, who earns a higher price for feeder cattle when feed prices fall.

Livestock Price Effects, 2011-2016 Average

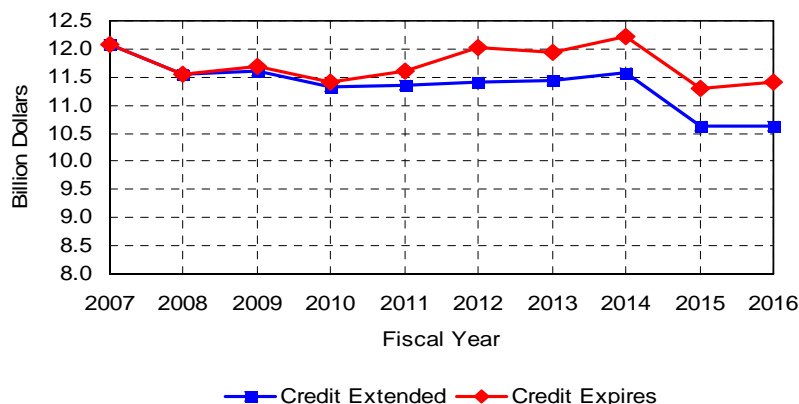


▪ If the tax credits are not extended, the resulting average grain and oilseed prices are reduced, but remain above the levels that would trigger LDPs and CCPs.

▪ However, the decline in average prices means that there are more likely to be some alternative futures where crop prices fall enough to trigger additional payments.

▪ Across 500 alternative futures, average net CCC outlays increase by \$0.57 billion per year between FY 2011 and FY 2016.

Net CCC Outlays

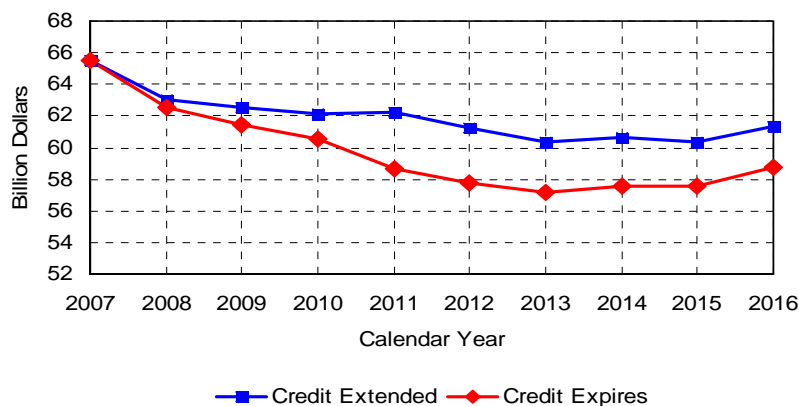


▪ If the tax credits expire, crop receipts are reduced by an average of \$6.7 billion per year.

▪ Lower feed costs, lower rent paid to non-operator landlords, and reductions in other production expenses partially offset the reduction in crop receipts.

▪ Net farm income is reduced by an average of \$3.1 billion per year relative to the baseline that extends the tax provisions.

Net Farm Income



Biofuel Tax and Tariff Extensions: 2011-2016 Averages, cont.

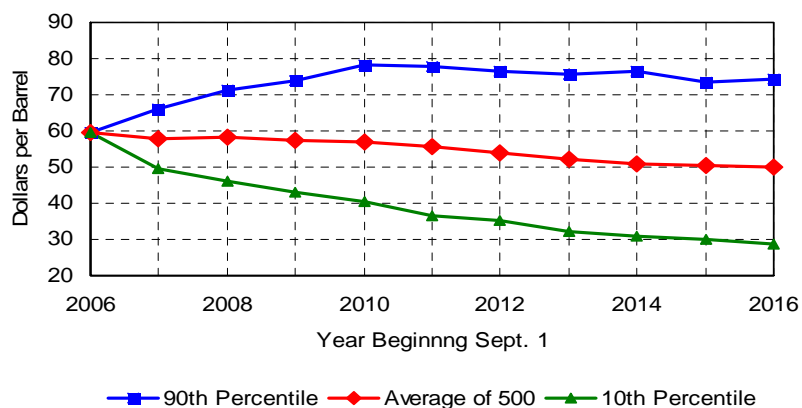
	Tax Provisions Extended Indefinitely	Tax Provisions Expire as Scheduled	Absolute Difference	Percentage Difference
Tax and Tariff Provisions	(Dollars per Gallon)			
Ethanol Tax Credit	0.51	0.00	-0.51	-100.0%
Biodiesel Tax Credit (Virgin Veg. Oil)	1.00	0.00	-1.00	-100.0%
Ethanol Specific Tariff	0.54	0.00	-0.54	-100.0%
Meat and Milk Production	(Billion Pounds)			
Beef Production	28.39	28.44	0.05	0.2%
Pork Production	22.56	22.65	0.09	0.4%
Broiler Production	39.73	39.87	0.14	0.3%
Milk Production	199.66	199.93	0.27	0.1%
Livestock and Dairy Prices	(Dollars per Cwt.)			
Steers, Nebraska Direct	84.61	84.13	-0.48	-0.6%
Feeder Steers, Oklahoma City	100.55	101.11	0.55	0.5%
Barrows & Gilts, 51-52% Lean	49.75	48.97	-0.78	-1.6%
Broilers, 12 City Wholesale	70.82	70.08	-0.74	-1.0%
All Milk	14.47	14.41	-0.06	-0.4%
Government Outlays	(Billion Dollars)			
Marketing Loans (Crop Years)	0.59	0.93	0.34	56.9%
Countercyclical Payments (Crop Years)	0.90	1.13	0.23	25.2%
Net CCC Outlays (Fiscal Years)	11.17	11.74	0.57	5.1%
Ethanol Tax Credit	6.47	0.00	-6.47	-100.0%
Farm Income	(Billion Dollars)			
Crop Receipts	154.06	147.34	-6.72	-4.4%
Livestock Receipts	134.16	133.54	-0.61	-0.5%
Government Payments	11.06	11.63	0.57	5.1%
Rent to Non-Operator Landlords	14.13	12.44	-1.69	-12.0%
Other Production Expenses	270.78	268.54	-2.24	-0.8%
Total Production Expenses	284.92	280.98	-3.93	-1.4%
Other Net Farm Income	46.64	46.38	-0.27	-0.6%
Net Farm Income	61.00	57.91	-3.09	-5.1%
Value of Farm Real Estate	(Dollars per Acre)			
	2,746	2,670	-75.23	-2.7%
Consumer Food Price Index	(Index)			
	228.6	228.4	-0.2	-0.1%

Ranges from the 500 Alternative Futures

▪ Global Insight expects the refiners' acquisition price for petroleum to decline by about \$9 between 2006 and 2016.

▪ To examine alternative futures for agricultural commodity markets, we explored a range of possible oil prices, approximately centered on the Global Insight forecast.

Petroleum Prices: Summary of 500 Outcomes

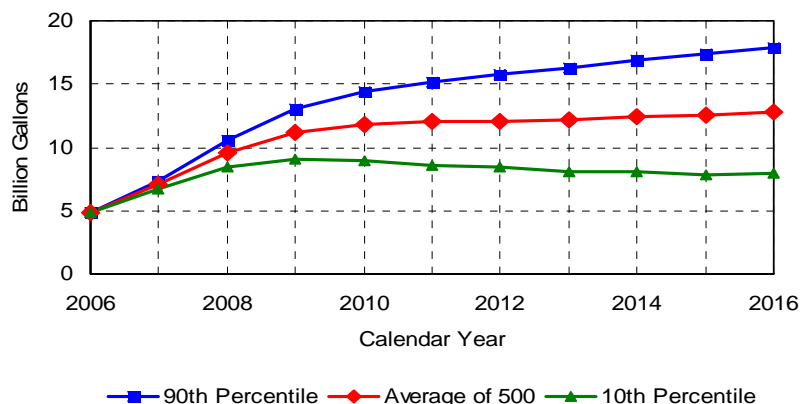


▪ Future growth in ethanol production depends on petroleum prices, corn prices, policies, and a wide range of other factors.

▪ Assuming an extension of current policies, growth in ethanol production is particularly sensitive to the future path of petroleum prices.

▪ In most alternative futures, the existing renewable fuel use mandate (7.5 billion gallons by 2012) is not binding, but it could come into play in extreme cases.

Ethanol Production: Summary of 500 Outcomes



▪ If current policies are extended, net CCC outlays decline sharply in FY 2007 and remain low throughout the baseline.

▪ Average prices for most grains and oilseeds are relatively high. Even across 500 alternative futures, prices rarely dip low enough to trigger CCPs and LDPs.

▪ Caution is warranted in interpreting these and other results. There are certain to be risks to the baseline not captured in these 500 alternative futures.

Net CCC Outlays: Summary of 500 Outcomes

